FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,870 — Tuesday March 4 1986 — D 8523 B

Philippines to open debt talks with IMF, Page 3

World news | Business summary

Carlsson pledges continuity in Sweden

Ingvar Carlsson pledged continuity in Swedish domestic and foreign policy after his formal election as chairman of the Social Democratic Party in succession to Olof Palme, the assassinated Swedish Prime Minister.

Carlsson's appointment as Prime Minister will be formally approved by the Riksdag, the Swedish Parliament, on Wednesday next week.

Swedish police threw a blanket of secrecy over their continuing hunt for Palme's killer. No further announcements on progress in the search were made although it was revealed in Bonn that the West German terrorist group RAF (the Red Army Faction) had claimed responsibility. Page 24

Stockbrokers

Two directors of a Belgium stockbroking firm at the heart of a tax fraud probe into the Antwerp diamond trade have fled the country, their lawyer said.

Malay bid

Malaysia's ruling United Malays National Organisation is sending a delegation to London to urge former Deputy Prime Minister Datuk Musa Hitam, who resigned, to stay in office. Page 4

Khyber Pass pact

Pakistan said it had made peace with Khyber Pass tribesmen near the Afghan border and pledged to respect the inhabitants' customs and autonomy.

Warsaw trial

Five alleged activists of the Confederation for an Independent Poland, a small opposition party openly hostile to the Soviet Union, went on trial in Warsaw. They face up to 10 years' imprisonment.

Kohl setback

West German Chancellor Helmut Kohl's Christian Democrats suffered sharp losses in municipal elections in the state of Schleswig-Holstein. Page 3

Nato 'approval'

A majority of Spaniards will vote in favour of Spain staying in Nato in a referendum on March 12, according to an opinion poll in the weekly Epoca.

Columbian truce

The Revolutionary Armed Forces of Colombia, the country's biggest guerrilla group, signed an indefinite extension of a 21-month truce with the Government. Page 4

Palestinian shot

A Palestinian demonstrator was shot dead by Israeli troops on the outskirts of Nablus on the occupied West Bank, while mourners gathered for the burial of assassinated mayor Zafer al-Masri.

Greek fire out

A week-old oil fire in Salonika, Greece, one of the worst such blazes in Europe, was extinguished. At its height the blaze engulfed 12 oil tanks and injured seven firemen.

Duvalier 'mistreated'

Ousted Haitian president Jean-Claude Duvalier, who is staying at the French alpine resort of Talloires, claimed through his lawyer in a Paris court that officials had mistreated him. He demanded more freedom.

N. Pole attempt fails

The first all-woman expedition to the North Pole, comprising four French and two Canadians, was abandoned. One member had frostbite.

Hassan pardons 300

King Hassan of Morocco pardoned more than 300 prisoners on the 25th anniversary of his rule.

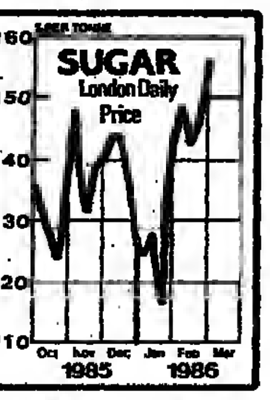
Brown Boveri omits dividend

BROWN BOVERI, Swiss electrical engineering group, will pay no dividend to shareholders for the first time in 47 years after an "unsatisfactory profit picture," according to the board. Fritz Leutwiller is to replace Piero Hummel as chief executive "on an interim basis." Page 25

LONDON turned lower under the twin influences of sterling and oil prices. The FT Ordinary index lost 10.9 to 1,266.5 and the FT-SE 100 fell 9.0 to 1,534.9. Gilts were volatile and ended ¼ point lower. Page 46

WALL STREET: The Dow Jones industrial average closed 12.39 down at 1,696.67. Page 46

TOKYO hit another record but late caution developed. The Nikkei market average advanced 29.77 to 13,757.63. Page 46



WORLD SUGAR prices continued to firm in response to a recent wave of consumer buying interest. The London daily raws price was fixed $10 higher at $156 a tonne. Page 38

DOLLAR fell to DM 2.2195 (DM 2.2305), FFr 6.8325 (FFr 6.8625), SFr 1.8775 (SFr 1.8875) and Y179.55 (Y180.45). On Bank of England figures the dollar's index fell to 117.6 from 117.8. Page 39

STERLING fell ½ cent in London to close at $1.442. It also fell to DM 3.2 (DM 3.2275), FFr 9.8525 (FFr 9.93), SFr 2.7075 (SFr 2.7325) and Y259 (Y261). The pound's exchange rate index fell 0.7 to 72.5. Page 39

GOLD fell $1 an ounce in London to close at $336.00. It also fell in Zurich to $336.50 from $338.25. In New York the Comex April settlement was $340.50. Page 38

GRUPO ALFA, Mexico's largest private company and Latin America's biggest private foreign debtor, has told its international creditors that the proposed restructuring of its $2.8bn debt is no longer viable. Page 27

WEST GERMAN annual inflation rate fell to 0.7 per cent last month, the lowest level for more than 16 years. Page 2

CALIFORNIAN bankers have agreed to back legislation to open up their growing market to interstate banking in two stages. Page 25

LENZ MOSER, Austria's largest wine exporter, will sack more than a third of its workforce. The company said its problems were caused by a collapse of exports after the discovery last year of toxic chemicals in Austrian wine. Page 25

SWEDISH MATCH, diversified industrial group which is the world's leading match maker, reported little changed operating profits of SKr 630m ($88m) after depreciation, compared with SKr 624m the previous year. Page 25

AUSTRALIA'S Federal Cabinet has backed away from an inquiry into Bell Resources bid for BHP. It opted instead for a ministerial committee with a week-long brief to seek assurances from the managements of both groups on BHP's future. Page 27

MORGAN GRENFELL, UK merchant bank, responded swiftly to Bank of England worries about growing financial involvement of merchant banks in takeovers by arranging for a consortium of banks to acquire shares in Distillers. Page 24

Brazilians warm to Sarney's price freeze package

BRAZIL'S plano cruzado, launched as a surprise attack on 255 per cent inflation last Friday, has already worked some small miracles in the highly psychological battle against the country's perennial inflation, writes Richard Fostar in Brasilia.

President Jose Sarney, who ordered the freezing of prices, rents and salaries, was until last week viewed as a conservative, sincere but timid politician who lacked the nerve to mount an attack on financial and commercial speculators. By ordering the plan the 55-year-old President has changed his image to Jack the Giant Killer, disarming his political opponents

According to polls conducted at the weekend by a major television network Sarney is now the most popular Brazilian president ever measured by modern polling. The same polls show that most Brazilians believe the new plan will reduce inflation, increase employment, hold salaries at current levels and sustain last year's healthy economic growth.

Brazilian history is now being divided by commentators into two periods: before the cruzado and after the cruzado – the new currency named by Harvard-trained Brazilian economist Chico Lopes, who borrowed it from a Brazilian coin used in the 19th century.

Interestingly enough "cruzado" in Brazilian Portuguese has only one other meaning, the left or right cross delivered by a boxer, and most Brazilian politicians are now frankly amazed at the sudden agility and strength of the once-lacklustre President Sarney, who was catapulted into the presidency last April by the death of his running mate, Mr Tancredo Neves.

Before the cruzado Brazil faced private business estimates of year-end inflation of 400 per cent to 500 per cent, double the 1985 level. Mr Sarney, after making Cabinet changes on February 14, was on the defensive against the liberals in his governing coalition, who claimed he had drifted to the right. April wage campaigns planned by the country's most powerful Sao Paulo unions, led the Government to despair of its hopes to hold down inflation even to its current levels.

Mr Sarney's main political opponent, the crowd-pleasing Governor of Rio de Janeiro, Mr Leonel Brizola, has been campaigning to force Mr Sarney to step down in favour of direct presidential elections this year – the President was elected by an electoral college in January of 1985 and his term expires in 1991 – and was drawing Mr Sarney's support from the left in favour of the campaign.

For the present, however, the world has been transformed. For the most part businessmen and bankers here and abroad are pleased with the plan and have reduced their hyperinflation estimates. Many of the country's foreign creditors had long ago reached the conclusion that the only thing really wrong with an economy which grew by 7.6 per cent last year and produced a trade surplus of $12.5bn was its damnable inflation.

There is already talk that if the cruzado plan succeeds Brazil could become a reasonable candidate for new loans from foreign banks without International Monetary Fund tutelage. Last week in New York Brazil had already succeeded in refinancing some $30bn in medium and long-term credits, reducing the margin it pays from 2 per cent to 1.125 per cent on a large portion of the debt.

Mr Sarney's party, the Brazilian Democratic Movement Party (PMDB), fearing what inflation would do to it in November elections, last week announced it would go its own way, formulating party programmes independent of the governing coalition, which also includes the centre-right Liberal Front Party. Now the PMDB is back in the fold, pledging full support for the cruzado plan, and claiming co-authorship.

One dissenting voice in the general welcome for the plan has been that of the labour unions. They claim that the price freeze will not work and argue that the cost of living trigger, which gives wage earners automatic rises whenever prices increase by 20 per cent, provides insufficient protection against inflation.

Other criticism came from former Finance Minister Francisco Dornel-

Continued on Page 24

Illegal UK share deals traced to offshore companies

By Clive Wolman in London

ORGANISED rings of professionals spanning several institutions in the City of London have been carrying out large share transactions on the basis of inside information through their own offshore dealing companies, the London Stock Exchange has claimed.

"Time and again our investigations have run up against a brick wall of an offshore company whose true ownership we cannot discover," said Mr Michael Faltham, of the exchange's surveillance department. "We can track down the small insider deals which are done in this country, but the big fish go offshore."

About 80 per cent of the suspected insider deals are purchases of shares in a company which shortly afterwards is the subject of a takeover bid at a sharply marked-up price.

Of the 284 full-scale investigations carried out since insider dealing was made a criminal offence in 1980, the stock exchange says that about 50 have been frustrated by the use of offshore companies. Until about two years ago most of the suspicious deals were transacted through nominee accounts in Swiss banks. But this route has since become less popular, possibly as a result of the legal breaches made in the principle of Swiss bank account secrecy.

Their place has been taken by companies based in the Caribbean or Liberia. The insider deals are done either through nominee accounts in banks in these countries or through companies set up for the purpose whose ownership is never disclosed.

In contrast to the Swiss banks, these offshore companies are often distinguished by their aggressive dealing tactics. They try to buy larger tranches of shares in a particular company than are usually available on the stock market and are prepared to pay over the market price to do so. They offer the brokers cash, with settlement through a UK agent or foreign bank.

In the period before the largest takeover bids, worth more than £250m ($360.5m), the activities of these offshore companies are usually swamped by the widespread speculative buying which is often based on rumour rather than genuine inside information. But with the smaller bids, their deals, worth between £20,000 and £300,000, have been more noticeable.

For example, last year one Liberian company which had never dealt on the stock market before bought shares worth about £60,000 in a small listed company which was later subject to a bid.

Ulster Unionists' day of action turns to violent confrontation

BY MARGARET VAN HATTEM AND HUGH CARNEGY IN BELFAST

ULSTER UNIONIST leaders stood helplessly by in Northern Ireland yesterday as their day of action, called to protest against last November's *Anglo-Irish agreement*, spun out of control. Gangs of youths overturned cars and set them ablaze, smashed shop windows, stoned the police, threw petrol bombs, and set up road blocks throughout the province.

The police, in many cases hopelessly outnumbered, struggled to keep a grip on events and to avoid open confrontation with the Loyalist gangs. But they were widely and vehemently criticised for failing to take a tougher line and force a way for cars through the many road blocks across the province.

Communications throughout the six counties were disrupted. Belfast's Aldergrove airport remained open but few passengers turned up and many scheduled flights were cancelled. The harbour airport stayed closed, Larne Harbour stayed closed, most ferry services stopped and rail and bus services were heavily disrupted.

Road blocks, barriers of tractors and slurry spreaders, barriers of beer barrels, fallen trees and burning cars were set up on major roads all over the province. The motorway to Dublin was closed for three hours of peak time yesterday morning as police cleared away nails and oil spread across both carriageways. Several country towns were totally cut off for several hours.

Pickets manned all major plants, factories and offices including the Harland and Wolff shipyards and Shorts in East Belfast, and the Government offices at Stormont.

Nearly 90 per cent of non-industrial civil servants struggled through to work but most shops, petrol stations and offices remained closed, and those which opened – including major department stores – had few customers. Banks and some restaurants opened, but again had little custom.

Power cuts, some lasting up to six hours, were reported in different parts of the province throughout the day. More than a dozen schools, however, announced their intention to stay closed well before the power cuts began.

Reports of intimidation were widespread. In Lurgan, County Armagh, the Saracen clothing factory was set ablaze and police had to evacuate the staff. In Lurgan and Ballymena three houses belonging to policemen had their windows smashed.

Monday morning began quietly, with the streets deserted and traffic reported at less than 10 per cent of its normal volume as many people stayed away from work or sat in their cars in jams at road blocks outside Belfast.

Trouble started at midday when a crowd of around 3,000 assembled outside Belfast City Hall for a mock funeral to mark "the death of democracy in Northern Ireland" and listen to a speech from Mr Robinson. Attention was suddenly diverted by clouds of black smoke from a nearby discotheque which had been set ablaze. Threequarters of the crowd, mainly young men, moved towards the scene of the fire and, as the fire engines arrived and the area was closed off, fanned out to nearby streets overturning cars and setting them ablaze, and smashing shop and office windows.

Sir John Hermon, Chief Constable of the Royal Ulster Constabulary, later defended his force, many of whom had been on duty all night in freezing temperatures clearing roads of fallen trees and other obstacles.

"We have made some mistakes, but we got a lot of things right," he said. "The police made stupendous efforts. But where you have 50 pickets and maybe half a dozen police, there's limit to what they can do immediately."

Background, Page 6; Plans for gold mine, Page 7

Sharp fall in £ as oil prices continue to drop

BY GEORGE GRAHAM AND DOMINIC LAWSON IN LONDON

THE POUND fell sharply yesterday on the foreign exchanges as oil prices continued to drop. Sterling moved to its lowest level yet against the D-Mark at one stage before recovering some ground later in the day.

Sterling's weakness led to higher interest rates on the London money markets, prompting many economists to take a more cautious view about the prospect of a cut in bank base rates in the immediate future.

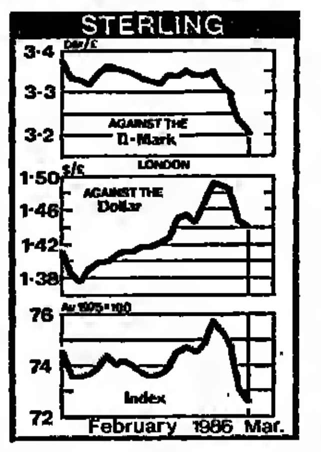
The extent of the pound's decline has so far not caused alarm among UK government officials. While the lower exchange rate gives rise to inflationary pressures, these are expected to be broadly offset by the direct and indirect effects of lower oil prices.

In international markets, there has been speculation that lower interest rates might be imminent in Japan and West Germany, but UK policy is expected to remain cautions ahead of the March 18 budget and the coincidental meeting of Opec ministers.

Sterling lost 2¾ pfennigs against the D-Mark yesterday to close in London at DM 3.20, after dipping at one stage to DM 3.1825. Against the dollar it lost ½ cent, closing at $1.442. The pound has fallen faster against European currencies than against the dollar, which has itself been weak.

This should be more favourable for UK inflation than if the pound had declined against the US currency, according to Mr Gavyn Davies, chief economist at London stockbrokers Simon & Coates.

UK government bonds fell sharply but recovered to leave longer dated stocks only ¼ point easier on the day. Share prices on the London Stock Exchange also dropped and the FT Ordinary share index lost 10.9 points to end at 1266.5. Three-month interest rates on the money markets rose to 12 7/16 per cent, close to bank base rate of 12½ per cent.



Meanwhile, crude oil prices on the New York Mercantile Exchange, the world's largest oil futures market, yesterday fell by almost $1 a barrel to about $12.30 for April deliveries of West Texas Intermediate, the main crude.

The forward market in North Sea Brent remained dormant, as the oil companies and traders attempted to construct a new form of Brent contract, designed to avoid a repeat of the non-performance and threatened litigation which hit the market last month.

British Petroleum, which drew up

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Commodities, Page 38; Currencies, Page 39

Electrolux bids $711m for White

BY KEVIN DONE IN STOCKHOLM AND PAUL TAYLOR IN NEW YORK

ELECTROLUX of Sweden yesterday attempted to become the world's leading domestic appliance maker with a $711m takeover bid for White Consolidated, the third largest white goods manufacturer in the US.

The bid, the largest overseas takeover so far launched by a Swedish corporation, came as the European industry was bracing itself for possible bids from the US. In America, meanwhile, manufacturers were more concerned about the threat of attack from Japanese companies.

White's share price jumped by more than 25 per cent in heavy trading on the New York Stock Exchange yesterday morning, taking it to almost $5 above Electrolux's $45-a-share cash tender offer.

This indicated that Wall Street expected the bid to be improved or for rival offers to emerge.

Electrolux sprang into the leading position in the European market just over a year ago when it took over Zanussi, the crippled Italian manufacturer.

This move, which increased to 25 per cent Electrolux's share in the European market for washing machines, refrigerators, freezers and the like, followed a long run of foreign acquisitions during which Electrolux bought more than 100 companies in 40 countries.

The Swedish group further extended its hold in Europe last year when it took control of Zanker in West Germany.

In the meantime, Zanussi has been hauled from the brink of collapse and returned to profitability.

Electrolux revealed yesterday that it plans later in the year to consolidate Zanussi, in which it holds 49 per cent of the equity. Electrolux has convertibles issued by Zanussi which will give it about 75 per cent control on conversion and also has options on Zanussi stock held by some other shareholders. Consolidation of Zanussi will add annual sales of some $1.2bn.

White Consolidated had sales of $1.946bn last year and profits of $50.9m. Its profitability has been falling, partly as a result of a costly restructuring programme in its industrial products sector which includes commercial refrigeration equipment, machine tools and asphalt paving equipment.

About 85 per cent of group sales come from white goods, however, and the group includes several important brand names including Frigidaire, Kelvinator, Gibson and White-Westinghouse. The group, which has its headquarters in Cleveland, Ohio, has a workforce of some 16,000.

Electrolux had group sales last year of SKr 39.5bn ($5.5bn) excluding Zanussi and profits after financial items of SKr 2.575bn.

The US is already Electrolux's single biggest market accounting for around a quarter of group turnover with sales last year of SKr 7.5bn. But its main strengths in the US are in vacuum cleaners, microwave ovens and in other sectors, including chain saws, caravans and mobile homes.

White Consolidated is the third largest US white goods manufacturer after General Electric and Whirlpool and has its particular strength in freezers and refrigerators.

The Electrolux tender offer is valued at $45 per share and is conditional on the Swedish group gaining at least 50 per cent of outstanding shares.

Electrolux said that it first made contact with White Consolidated management last Friday, when it presented an initial offer valued at $43 per share.

The White Consolidated management, headed by Mr Ward Smith, president and chief executive, indicated to Mr Hans Werthen, Electrolux chairman, and Mr Anders Scharp, President, that the White board might "show concern about the price being offered."

Electrolux is forming a new US holding company, DMT Holdings, which is formally placing the bid. If the offer succeeds, White Consolidated would be merged with DMT or another Electrolux subsidiary in the US.

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Ryzhkov takes conservative line on economy

BY PATRICK COCKBURN IN MOSCOW

SOME SOVIET ministries are only now starting construction work on projects originally designed as long ago as 20 years. Mr Nikolai Ryzhkov, the Soviet Prime Minister, told the Communist party congress in Moscow yesterday during his outline of the country's next five-year plan.

He complained about the "fragmentation of financial resources" on some 300,000 construction projects around the country. This, he said, was "an unpermissible number."

Mr Ryzhkov's speech, however, surprised diplomats by its strongly conservative tone, with little of the economic radicalism displayed by Mr Mikhail Gorbachev, the Soviet leader, at the start of the congress.

While he strongly criticised the disorganisation, low technology and dispersal of resources in recent years, he gave few hints of structural reform. In particular, he did not follow Mr Gorbachev in suggesting greater flexibility on prices, increased use of co-operatives and extension of economic experiments.

His outline of the five-year plan dealt mainly with tightening up existing procedures. He singled out for criticism:

● Failure to introduce high technology or employ it when it is installed. In some factories "digital operated machine tools are used only for one shift a day." Production of computers is to be increased by 230 per cent by 1990 from the present very low level.

● Slowness in applying research to industry. Ministries "buy technology from abroad that could be developed at home." An example of sluggishness in introducing new materials is the production of plastics. This is to be speeded up. Scientists and research workers are to be better paid.

● Capital construction is to be reorganised. There are to be restrictions on big new construction schemes and an acceleration of the completion time.

Mr Ryzhkov mentioned some economic changes contemplated, but gave sparse detail. He said there must be more cost accounting at all levels, but made no mention of price changes to bring wholesale and retail prices more into line with production costs.

He stressed five major areas for change in economic management: individual enterprises to have their own development budget; an end to unprofitable plants being subsidised by the profitable; greater use of contracts; less outside interference in enterprises; and more individual incentives.

The average industrial wage is to be raised from Roubles 190 (£172) *a month today* to Roubles 220 in 1190. Mr Ryzkov also said that the introduction of one year's paid leave for mothers after giving birth had had a favourable impact on the Soviet Union's previously declining birth rate and was to be extended to 18 months.

SOVIET PLANS AND RESULTS

(Annual average % change)

	1981-5 plan	198-5 actual	1986-90 plan
National income utilised	3.4	3.2	3.5-4.1
Gross industrial output	4.7	3.7	3.9-4.4
Industrial labour productivity	3.6	3.2	4.2-4.6
Gross agricultural output*	2.5	1.2 (est)	2.7-3.0
Total investment*	2.0	3.4	3.4-3.9

* Average rise between five-year periods.

Source: Dr Philip Hanson, Birmingham University, 1986

West sees gap between superpowers widening

BY DAVID BUCHAN

THE CURRENT Kremlin obsession with higher growth rates, stressed yesterday by Prime Minister Nikolai Ryzhkov, is implicit acknowledgement that the Soviet economy has been slipping behind the West's, and that of the US in particular.

Official figures on Soviet actual economic performance (see table), even in the sluggish early 1980s, may strike many in the West as creditable. But they do not reflect concealed inflation which, if properly taken account of, would reduce the annual growth rate in real Soviet national income by about one percentage point, according to Western economists.

According to CIA estimates, the economic gap between the superpowers has widened recently. While the Soviet estimated gross national product rose to 57.9 per cent of US GNP by 1975, it fell to 55.7 per cent by 1983.

According to Dr Philip Hanson, a British expert on the Soviet economy, Soviet GNP is now probably below 54 per cent, while the official Soviet estimate of its net material product (a narrower definiton of national wealth that excludes services) has stayed unchanged since 1975 at 67 per cent of US GNP.

The ambitious goals, reaffirmed by Mr Ryzhkov yesterday, for doubling national income and industrial output by the year 2000 are to be achieved chiefly by big increases in capital investment and a 2.5-fold increase in labour productivity.

But can Soviet leaders raise productivity by an average 6.6 per cent a year by the end of this century, while limiting the annual average real increase in per capita income to 3.6 per cent?

Security cloud falls over SDI participants

By Peter Marsh

THE PENTAGON is investigating whether European companies working on the US Strategic Defence Initiative may have to be subjected to security procedures to stop technogies leaking out to the Soviet bloc.

Such procedures could impede efforts by European companies with Star Wars contracts to commercialise techniques such as optics, materials and electronics and may raise doubts about the consequences of European participation in the $26bn research programme.

A team of contractors employed by the Defence Department to do the study is roughly half way through a four-week tour of Western Europe, taking in Italy, West Germany, France, Belgium, the Netherlands and Britain.

The team of five, headed by Mr Clarence Robinson, a consultant specialising in Star Wars technologies, is visiting 30 companies, *10 of* which are in Britain.

It is believed that the UK part of the visit is due to start in the next few days.

Britain's Defence Ministry said yesterday it was unaware of the visit. It is contacting the Pentagon as a matter of urgency to demand details.

Mr Denis Healey, the UK Labour Party's spokesman on foreign affairs, called the tour "sinister" and said it would hinder the commercial development of technologies by British companies interested in Star Wars.

The study of European companies is being conducted for the Pentagon by two contractors —BR Dynamics of Rockville, Maryland, and the Institute of Defense Analysis of Alexandria, Virginia. The companies are working for Col Thomas O'Connor, the Pentagon's acting assistant deputy under-secretary for defence in charge of technology transfer.

Among the responsibilities of staff under Col O'Connor are to keep lists of sensitive technologies which may have to be classified to stop technical ideas transferring to the East bloc.

Such classification procedures, which can interfere with companies' plans to export technologies, may be instituted by decree of the US Government alone or by agreement with other Western nations via the Paris-based CoCom organisation. CoCom, composed of all Nato countries except Iceland plus Japan, vets East-West trade to reduce the risk of technologies flowing to the Communist countries.

The lack of progress in the nuclear disarmament talks is unlikely to prevent a summit between Mr Mikhail Gorbachev, and President Ronald Reagan later this year, according to Dr Georgy Arbatov, an influential Kremlin adviser and head of the USA and Canada Institute, writes Patrick Cockburn in Moscow. The *two sides had* agreed at Geneva that substantive progress needed to be made at the next summit and this understanding still stood, he said yesterday.

Hilary Barnes reports on the trends underlying the EEC referendum

Denmark signals political change

ALTHOUGH Denmark has endorsed its membership of the European Community in the referendum held last week, the vote has signalled the existence of bitter conflicts over foreign and defence policies.

A fundamental realignment appears to be taking place in Danish politics, which are becoming polarised along the *left-right axis, apparently* strengthening the neutralist or semi-neutralist views of the Danish left. The change is rooted in the history of Danish politics.

Since the 1930s the Social Democratic Party (SDP) has been dominent. Led since 1972 by Mr Anker Joergensen, it is a centre-left party with a strong hold on the voters. Its electoral support peaked at around 42 per cent in the early 1960s and since then it has been the largest single party.

But the party's ability to play one party of the right against another and so to divide and rule, seemed recently to have ended. Under Mr Joergensen the party's electoral support slumped to 31.6 per cent in the 1984 election and to under 30 per cent in recent opinion polls.

Hence the humiliating need to go into direct competition with *parties to its left, particularly* the Socialist People's Party (SPP), which disapproves of membership of both Nato and the EEC.

The leader of the SDP, Mr Gert Petersen, is one of the country's most colourful politicions with a considerable oratorical gift. His party obtained 11.5 per cent of the votes in 1984 and recent opinion polls give it about 15 per cent. About 30 per cent of young people aged between 20 and 30 support it, according to opinion polls.

If this trend is confirmed at the ballot box, then the Danish left will change from being dominated by one large party to a situation where two medium-sized parties compete for the same group of voters.

In the past, the likelihood seemed slight that parties of the left including the fringe left Socialists with five seats in the present Folketing (parliament) —would ever be able to work together.

Intriguing signs are now appearing, however, suggesting that the left-wingers are trimming their policies with a view to the establishment of what is known as "a worker's majority." Influential elements in the SPP and the left Socialists have suggested that they should drop outright opposition to Nato and to the defence budget if this is a necessary condition of bringing in a Social Democratic Government based on left-wing support.

The SDP's drift to the left began when the party went into Opposition in 1982. The most striking example of this was the party's decision to oppose deployment of intermediate range nuclear missiles in Europe, which it had supported reluctantly when in office.

Since then it has also opposed the deployment of nuclear weapons in Denmark *not* only in time of peace, which has been Danish policy since the 1950s, but in time of crisis or war as well. If implemented, this stance would puncture Nato's nuclear umbrella and is in conflict with Nato's basic policy of nuclear deterrence.

The SDP has thus moved significantly closer in its policies to its left-wing allies. In the process, it has ended the post-war consensus on defence and foreign policy which existed between the Social Democrats and the parties of the right, including Prime Minister Poul Schlueter's Conservative Party and Foreign Minister Uffe Ellemann-Jensen's Liberal Party.

The next major trial of strength may arise over the defence budget, which is based on support from the four coalition *parties* and the Social Democrats, and is due for renewal in 1987. There are signs that the SDP is moving towards a new minimalist defence policy which will be unacceptable to the coalition and even more unacceptable to Denmark's allies in Nato.

While opportunism and the chance of scoring points off the present government on defence and foreign policy have played a role in the SDP's move towards the left, it is also supported by basic demographic and occupational factors. One of these is that the rising generation of party leaders, many of whom voted against EEC membership in 1972, is now more concerned by the accelerating nuclear armaments race than by the threat from the Soviet Union so keenly felt in the post-war years.

The enormous growth in the public sector is another factor. About 55 per cent of the adult population is dependent on the public sector for its income, either as wages and salaries or as pensions, and has a natural bias towards supporting parties which favour a large public sector such as the Social Democrats and the SPP.

The demographic changes have caused serious problems for the Social Democrats, which still sees itself as a party of the working class. Its mainstream support, as well as most of its active membership, is now dominated by people working in the public sector.

This has given rise to serious divisions within the trade union movement and between the union movement and the party; some of the major industrial unions, notably the metal-workers, are totally out of sympathy with the party's left-leaning attitude.

The jokers in the Danish pack are the radical Liberal Party. For most of this century, as today, they have held the balance in the Folketing, and presently throw their weight behind Mr Schlüeter's coalition. But they support the coalition's economic policy only, voting with the left on foreign and defence policy, and opposing the EEC reforms in the referendum.

The radicals can be counted on to continue to support the present coalition until the next election is due in late 1987, but if the Socialist parties were then to emerge with more seats, they might well change sides.

In the meantime, although the Social Democrats have been outmanoeuvred on the EEC reforms by the Prime Minister's decision to call a referendum, they have no intention of calling off the battle.

They will indeed vote for the ratification of the EEC reform agreement but, according to Mr Ivar Noergaard, Market Affairs spokesman, they will not rubber stamp the Commission's 314 directives for implementing the internal market. Each one, he says, will be examined on its merits.

At the same time, according to the party's foreign policy spokesman, the party will pursue with renewed vigor its non-nuclear policies in relation to Nato. Life after the referendum will be no bed of roses either for Mr Schlüeter or his Foreign Minister.

W. German inflation rate at 18-year low

By Rupert Cornwell in Bonn

RETAIL PRICES fell by 0.2 per cent in West Germany between January and February, bringing the year-on-year inflation rate down to just 0.7 per cent, the lowest level for more than 18 years.

The figure, announced yesterday by the Federal Statistics Office in Wiesbaden, reflects above all the drastic fall in oil prices this year. This has already pushed petrol prices at the pump down to around DM 1 per litre (£1.41 per gallon), as well as the gathering strength of the D-mark against the dollar.

Official projections for 1986 have been of an inflation rate of between 1.5 and 2 per cent, but this now seem likely to be comfortably undershot. Separate data from Wiesbaden yesterday reported that the fall in import prices, which will work through into the economy in the months ahead, is accelerating.

In January, import prices were 9.6 per cent lower than in the same month of 1985, compared with a difference of only 6.5 per cent for December. Export prices, roughly the same as 12 months ago, mean that West Germany's terms of trade, and with them the prospects for the trade balance, continue to improve.

Assuming no change in the current trends, and moderate settlements in the forthcoming round of pay negotiations, some experts feel that West Germany could achieve absolute price stability in the near future.

Poll forecasts Spain will stay in Nato

A MAJORITY of Spaniards will vote in favour of Spain staying in the North Atlantic Treaty Organisation (Nato) in a referendum on March 12, according to an opinion poll released yesterday, **Reuter reports from Madrid.**

The Gallup poll published today in the weekly Epoca forecasts that 34 per cent of voters would uphold Spain's 1982 membership and 29 per cent would oppose it. A further 32 per cent would abstain and 5 per cent would cast blank ballots.

Nordic leaders meet

Security in Copenhagen was tightened yesterday as Nordic leaders met for the opening of the annual Nordic Council session, AP reports. The empty seat of murdered Swedish Prime Minister Olof Palme was covered by bouquets of flowers, and the delegates paid tribute to their slain colleague.

Cyprus road loan

Cyprus has secured a loan of $20m (£13.4m) from the World Bank to partly finance the fourth road development scheme of Cyprus. The scheme, expected to begin next year and to be completed in four years, will also be financed by the Kuwait Fund.

EEC ministers split over shipbuilding aid

BY PAUL CHEESERIGHT IN BRUSSELS

SHARP DIVISIONS have emerged among European Community industry ministers on the nature and level of financial support which should be given to the ailing shipbuilding industry.

Meeting in Brussels yesterday they had their first attempt at negotiating the shape of a subsidies regime for the industry to take effect after the end of this year.

While the Netherlands, Denmark and West Germany are in favour of sweeping changes to reduce the level of subsidies, and the Commission is leaning the same way without having made up its mind how far to tilt, others of the 12 take a more cautious view.

The Community's shipbuilding industry is presently covered by the so-called Fifth Directive. This permits subsidies provided that restructuring of the industry takes place at the same time. In the British case the production subsidy can go as high as 22 per cent of the purchase price of a vessel.

In other countries, however, subsidies take a different form. In West Germany, for example, shipyards can receive tax concessions and be supported in their selling by the use of overseas aid.

Mr John Butcher, the Parliamentary Under-secretary at the UK Department of Trade and Industry, told other ministers that if the Commission wanted to bring in proposals to reduce the level of subsidies, the first thing it should do is to draw up an inventory of what aid is being provided and how.

Further, reducing subsidies "only makes sense if it is an international phenomenon," so if the level of subsidies is to be reduced in the Community, then the Community needs to take a "tough position" towards Pacific Basin producers like Korea and Japan.

Italy, Spain and Portugal were all in favour of continuing the existing subsidy system. Greece wanted the Commission to produce a plan to increase competitiveness, while France wanted the Commission to take a grip on the amount of subsidies being paid.

Waldheim denies he was a Nazi

BY PATRICK BLUM IN VIENNA

DR KURT WALDHEIM, former United Nations Secretary General and a candidate in Austria's presidential election, firmly denied a Press report yesterday that he had been a member of the Nazi para-military militia, the SA.

He said he had never belonged to the Nazi party or to any of its affiliated organisations. A statement from his campaign office said Dr Waldheim had served in a cavalry regiment of the German army until discharged for injuries but that he had never taken part in any activities violating human rights

The weekly magazine Profil has alleged that Dr Waldheim was a member of the SA after Austria was annexed by Germany in 1938. It has published what it describes as a membership card bearing Dr Waldheim's name

The allegations could seriously damage his bid for the presidency. Dr Waldheim is *standing as an independent*, with the support of the conservative opposition People's Party. The election is due on May and, until now, he has been consistently ahead of his Socialist Opponent, Dr Kurt Steyrer in the opinion polls.

A Socialist party spokesman said yesterday that Dr Waldheim's position would have to be seen in a new light if the allegations were proved correct. However, they have been greeted with some scepticism here. Mr Simon Wisenthal, the veteran Nazi hunter, expressed doubts about them, arguing that neither the Soviet Union nor Israel would have agreed to Dr Waldheim becoming UN Secretary General if there had been any evidence suggesting he had been linked with the Nazis.

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West German local poll gives Kohl's party a jolt

BY RUPERT CORNWELL IN BONN

THE RULING West German Christian Democrat Party of Chancellor Helmut Kohl has received an unpleasant warning shot across its bows from local elections at the weekend in the state of Schleswig Holstein, where the CDU saw its share of the vote slump by almost six percentage points.

The virtually complete results declared early yesterday show that the Christian Democrats won only 44.2 per cent, compared to 50.1 per cent at the last municipal vote in 1982. The opposition Social Democrats (SPD) lifted their total to 40.3 per cent from 34.6 per cent. The radical Greens, standing for the first time as a single unit, won 7.4 per cent, pushing the Free Democrats, the CDU's junior coalition partners in Bonn, into fourth place with just 4.4 per cent.

Although Sunday's voting involved only 2m people in West Germany's northern-most state, its outcome has been closely monitored as the first firm pointer to the mood of the electorate in a year which will culminate next January with a general election.

Opinion polls—and the overwhelming majority of analysts—still suggest that the CDU-CSU-FDP coalition will have little difficulty in winning nationally next year. But the Schleswig Holstein results are a warning against complacency at the least, and could be a signal that the new involvement of the Chancellor in the Flick political payments affair, and the Bonn Government's controversial trade union and security legislation of recent weeks might be causing serious difficulties.

The outcome will be all the more unsettling in that the CDU's party chairman in Schleswig Holstein is Mr Gerhard Stoltenberg, the federal Finance Minister and easily the most popular politician in the coalition's ranks.

Mr Stoltenberg admitted that the result was disappointing and well short of the party's hopes. Although the drop in turnout (from 73.8 per cent in 1982 to 68.8 per cent) suggests that the CDU may have been badly hit by abstentions in rural areas, the SPD has now become the strongest single party in the state's four major centres of Kiel, Luebeck, Neumuenster and Flensburg.

LUCIANO LAMA DEPARTS AFTER 16 YEARS AT HELM

Italy's 'Mr Union' steps aside

BY JAMES BUXTON IN ROME

IN ONE tearful scene after another Mr Luciano Lama, the man who more than anyone symbolises Italian trade unionism, has in the past few days been taking his leave of the CGIL, the Communist-majority union which he has led for 16 years.

At the union's congress here at the weekend he was given a 10-minute ovation. With his pipe in his hand and an engaging smile on his face, he arouses genuine affection among his followers and projects a reassuring image to everyone else. Even his bitterest opponents admit he has always behaved like a gentleman.

Mr Lama is handing over to Mr Antonio Pizzinato, a crew-cut union boss from the northern industrial town of Sesto San Giovanni, often dubbed the Stalingrad of Italian communism. He reads Pravda each morning (he was educated in the Soviet Union) but has a reputation as a realist.

It will be Mr Pizzinato's task to restore the CGIL's fortunes which have declined steadily over the past few years. Membership among industrial workers has dropped from 1.7m to 1.4m since 1981 and a third of the union's 4.5m members are pensioners.

It fell to Mr Lama, when he became union secretary, to digest the large gains the union made in terms of labour legislation at the beginning of the 1970s. He had next to try to induce a degree of moderation into his members when it became clear that the consequences of those gains for Italian industry and the economy generally were disastrous. In 1978 he told members that their creed that "wages are an independent variable" having no effect on inflation was "rubbish."

Any move towards moderation, however, was usually blocked by the Communist party which sees the Communist two-thirds of CGIL's members as its foot-soldiers. Mr Lama was obliged to take a hard line in the big strike at Fiat in 1980 and was defeated decisively. From then on, the tide in industry swung against the unions.

The party consistently prevented him taking a constructive line in talks on the reduction of the *scala mobile* wage indexation system, and obliged him to support the referendum on the issue which was held last year — and resulted in the unions and the party being soundly beaten.

As the 65-year-old Mr Lama's retirement approached, he was subjected to a campaign of denigration by the Communist party, whose leaders feared that so popular a figure could pose a serious threat to the present colourless hierarchy.

Mr Lama: reassuring face of unionism

Greek Socialists expel Arsenis

By Andriana Ierodiaconou in Athens

MR GERASSIMOS ARSENIS, who was removed from the post of Greece's Economy and Finance Minister last summer just before a conservative turn in the Socialist Government's economic policy, was expelled from the Socialist party (Pasok) over the weekend.

A statement by the Pasok politburo accused Mr Arsenis of trying to present himself as "the champion of the party's left-wing principles," and of planning to form a splinter party together with expelled Socialist trade unionists opposed to the economic austerity programme launched by the Government last October.

Mr Arsenis, who is also a Socialist MP, denied the charges yesterday, saying: "It is not a question of being left or right, but of being consistent."

His term in the Economy Ministry was marked by an increase in real incomes and a gradual reduction in Greece's rate of inflation. At the same time, public sector and current account deficits soared dangerously, obliging the Government to impose a two-year wage freeze, tougher taxation measures and cuts in public spending last autumn.

Turkey eases martial law

By David Barchard in Ankara

MARTIAL LAW is to be lifted in four of the eight south-eastern Turkish provinces, where it is still in force. A state of emergency will replace martial law in Bingol, Tunceli, Elazig and Sanliurfa from March 19.

This decision appears to be a deliberate signal by the Turkish authorities that they feel they have broken the back of terrorist activity by Kurdish-speaking separatist movements in the area. More than 200 people were killed in 1984 and 1985 during clashes between separatist and the Turkish authorities.

The lifting of martial law in Tunceli, long regarded as one of the hardest provinces to govern in the Kurdish-speaking region, is particularly significant. Turkey has about 8m Kurdish-speakers.

IMF to re-open talks on Philippine debt

BY ALAIN CASS AND SAMUEL SENOREN IN MANILA

AN IMF team is expected in the Philippines next week to start negotiations with the Government of Mrs Corazon Aquino which wants to review the existing agreement with the Fund as well as that with the country's commercial creditors.

The Philippines wants easier repayment terms from the Fund and the banks. It is also seeking less stringent money supply targets from the Fund as part of the agreement on the existing standby facility.

The IMF postponed a visit by a review mission to evaluate the country's economic performance before releasing the fifth and the sixth tranche of $230m (£154m) in the run-up to the election which led to the downfall of President Ferdinand Marcos.

Next week's meeting is crucial to the Philippines' economic recovery because release of the final instalment of $350m from the commercial banks depends upon agreement with the Fund. The country's total foreign debt stands at $2bn.

Mr Jose Fernandez, the country's central bank governor, told a press conference in Manila yesterday that confidence in the new government had led to a significant improvement in the country's currency, foreign exchange reserves and stock market.

The IMF has already agreed to a request by the Philippines for a two-month delay in implementing the country's import liberalisation programme.

Mrs Aquino's Government is coming under strong pressure from the business community to scrap or severely limit the measures, arguing that much of the country's industry is already operating at less than 60 per cent capacity and would be vulnerable to foreign competition.

● *Fifteen police officers and* four civilians died in shootings yesterday when a military truck was ambushed by Communist guerrillas in southern Luzon, police said, bringing the death toll in incidents involving Communist insurgents to 23 in three days.

Alain Cass reports on divisions in the Manila Government

Strains show as honeymoon fades

BARELY a week into the Philippines revolution the honeymoon is fading, with political in-fighting, opposition to some of her more radical measures and tension within the military straining the Administration of President Corazon Aquino.

A leading Manila daily newspaper yesterday ran a cartoon of Mrs Aquino sweating over a pile of papers. Outside, politicians, pressure groups and critics took part in a furious punch-up. Said one Western diplomat: "It's back to normal."

Mrs Aquino is still the people's saviour and the impetus which swept her to power remains overwhelming. She drew a crowd of nearly 1m people on Sunday who cheered her wildly at an open-air mass and her supporters still want radical change with evangelical fervour. But reality is setting in and it may be harsher than Mrs Aquino had bargained for at this early stage.

Potentially the most serious problem she faces is the underlying tension within the military over the moves to replace officers loyal to Mr Ferdinand Marcos, the deposed President. Reformist officers within the armed forces apparently want to go a good deal further than sacking the small group of die-hard loyalists at the top of the country's 15,000-strong officer corps.

Apart from retiring 23 senior generals Mrs Aquino has already agreed to the replacement of a number of regional provincial commanders in what is beginning to look like a thorough purge.

A senior regional commander in the north who was appointed last week to take over from one general who had been thought wrongly to be organising a counter-revolution admitted that "several thousand" officers and men still had to report to barracks. "They are probably afraid," he said, "but we are explaining to them that they have nothing to fear. These boys can be easily reorientated."

This kind of talk is unlikely to endear the new Government to an army which, corrupt and repressive as it may have been in parts, still felt that it was doing its duty by serving the government of the day.

> Filipinos' fervour for Mrs Aquino is undiminished, but political reality may be harsher than she would have wished at this stage

Another related area of trouble is the tussle for power which is emerging within the Government between what might be called the idealists and the pragmatists in this coalition of mutual self-interest.

The former, mostly advisers to Mrs Aquino, pressed for the release of all the country's political prisoners overnight. This was opposed by the pragmatists, headed by Mr Juan Ponce Enrile, the Defence Minister and leader of the anti-Marcos rebellion.

The idealists outmanoeuvred Mr Enrile, although they had to compromise by keeping four prisoners in jail including the former chairman of the Philippine Communist Party and the alleged leader of the New People's Army.

"The release was ordered while the army was still in a state of shock," said one diplomat. "You can imagine what they feel about releasing Communists they have been fighting for years."

At the heart of this particular disagreement is the belief by Mr Enrile and General Fidel Ramos, the Chief of Staff, that any attempt to appease the Communists by releasing their supporters will not end in a negotiated settlement to the insurgency, but in further bloodshed.

The contest is compounded by bickering between the two parties within her Government for cabinet posts. Unido, the party led by Vice President Salvador Laurel, described by one diplomat as the "move over it's my turn group," wants a bigger share than the PDP-Laban party led by Mr Jose Cojuanco, the President's brother, which is more left-wing.

Mrs Aquino is also facing opposition to some of her appointments, in particular that of Mr Jose Fernandez, the Central Bank Governor under Mr Marcos.

Mr Fernandez is strongly supported by Mr Jaime Ongpin, the powerful Finance Minister, who believes that some continuity in the Government's economic policy is vital. Mr Fernandez, who is generally well-regarded in the business and international community, helped negotiate the country's vital agreement with the International Monetary Fund.

Finally there is growing unease over the arbitrary way in which the Aquino Government decided to end prematurely the terms of office of all the country's locally elected officials. Where it saw fit, they were replaced by its own supporters.

Mr Aquilino Pimental, the Minister for Local Government, was forced to back down yesterday after a storm of protest both from officials who refused to obey the order and Aquino supporters who said the action was not the kind of thing they expected from a Government which came to power to end autocracy.

Officials have been told to stay put, but people have been asked to send in "recommendations" for their successors. Mrs Aquino's advisers argue that theirs is a "revolutionary government" for the time being and needs to take tough measures to restore democracy.

Its critics say it should submit itself for ratification by Parliament and the Supreme Court, something which the idealists within the new Government fear could restrict its freedom, but which will probably have to happen in due course.

None of this suggests Mrs Aquino is in trouble. She has a vast fund of goodwill to draw on for the foreseeable future, and her morale and political authority is unparalleled in South-east Asia. But she will have to work very hard to maintain the momentum for reconciliation and reform.

Malaysian deputy PM urged to stay on

By Wong Sulong in Kuala Lumpur

MALAYSIA'S RULING United Malays National Organisation (UMNO), which is facing one of its worst crises in its 40-year history with the resignation last Thursday of Datuk Musa Hitam, the deputy Prime Minister, has decided to send a delegation to meet him in London next week to try to persuade him to withdraw his resignation.

However, senior party officials admit that in the absence of significant concessions from Dr Mahathir Mohamad, the Prime Minister, there is little hope that Datuk Musa will change his mind.

The two men are astute politicians, with independent power bases, and it has been known for some time that they had clashed on major policy issues, including the management of the economy, and the Federal Government's handling of the problem in the East Malaysian state of Sabah, where a Christian dominated opposition party, unexpectedly swept to power in last April's state elections.

But the real and unspoken issue is when Dr Mahathir is prepared to step down and allow Datuk Musa to take over.

The Malaysian Prime Minister feels his deputy is impatient and suspects he is working to undermine his leadership, while Datuk Musa's supporters interpret Dr Mahathir's action of placing his confidantes in strategic positions in the Government and party, and his recent nationwide political tour as unmistakeable signs that he intends to remain in office for a long while.

Meanwhile, Mr Daim Zainuddin, the influential Finance Minister, and a close confidante of Dr Mahathir, has denied alegations that be harbours ambitions of taking over from Datuk Musa.

Datuk Musa quit the Cabinet and the post of Deputy President of Umno last Thursday, citing "irreconciliable differences" with the Prime Minister had questioned his loyalty and ignored him in policy decisions, be was leaving to allow Dr Mahathir to appoint someone he has confidence in.

The Umno delegation, comprising four state ministers, will make a last ditch effort to press Dr Mahathir to withdraw his allegations on his deputy's loyalty.

Andrew Whitley in Tel Aviv explains how time is running out for a revival of the peace process

Israeli plans stymied by West Bank mayor's death

WHEN King Hussein of Jordan severed relations with the leadership of the Palestine Liberation Organisation nearly two weeks ago, he announced that another chapter in the search of a Middle East peace settlement had ended.

The murder at the weekend of Mr Zafr al-Masri appointed mayor of Nablus and a prominent moderate Palestinian, underlined just how difficult it will be to find alternative ways of making progress.

More than ever before in the 19 years in which they have lived under Israeli military rule, the 800,000 Palestinians of the West Bank region have been urged in recent weeks to stand up and be counted.

King Hussein of Jordan has urged them to come up with new representative bodies, independent of the Palestine Liberation Organisation (PLO) and at the same time, the Peres Government in Isreal has revived an old plan for greater local autonomy in the occupied territories. This idea depends critically on finding local Palestinians prepared to replace the Israeli officers now running the region.

Violent demonstration erupted in a large Palestinian refugee camp outside the West Bank city of Nablus yesterday, as thousands of mourners attended the funeral Mr Zafr al-Masri, the city's former mayor, assassinated on Sunday.

One Palestinian youth was shot and killed and another injured when demonstrators began to stone Israeli military vehicles. Slogans were shouted against King Hussein of Jordan who recently hroke off negotiations with the Palestine Liberation Organisation on a common front in possible Middle East peace talks.

Israeli troops guard Arab youths in Nablus on Sunday following the killing of Mayor Zafr al-Masri.

The rationale given in public for the devolution plan, launched last month, was that it would improve the quality of life in the occupied territories and maintain a sense of movement in the peace process.

But it is hard to escape the feeling that Mr Shimon Peres's underlying purpose was to wean local Palestinians away from their declared allegiance to the PLO and its more radical offshoots.

Mr Zafr al-Masri was the stalking horse. A prominent businessman on the West Bank, President of the Chamber of Commerce in Nablus and a close relative of several leading Jordanian politicians, he seemed the ideal man to take on the Mayorship of his home town.

Before taking office last December Mr Masri, 44, made it clear that his appointment was no substitute for fresh municipal elections—a move the Israelis have so far refused to contemplate.

Just a week before his assassination the Nablus mayor said in an interview that he explicitly rejected the latest Peres proposals for the devolution of authority to local Arabs. "Nothing is possible in this direction," be declared.

But Israeli efforts to persuade West Bank Arabs to "free themselves of the PLO," as Mr Yitzhak Rabin, the Defence Minister, put it, appeared to be bearing fruit. In Ramallah, there was competition among candidates vying for the mayorship and talks were at an advanced stage in two other towns.

For years the Israelis have argued that if it were not for intimidation by those opposed to any form of contact with Israel, finding alternative Palestinian leaders on the West Bank and in Gaza who were prepared to negotiate whether or not in association with Jordan, would not be difficult.

The death of Mr Masri, an apolitical figure until after much hesitation and consultation he took up the Mayorship of Nablus, emphasises the dangers on the West Bank of being branded a collaborator. It also again means that the cherished Israeli belief will not be put to the test.

In Jerusalem the pressure is on to get the ball rolling on the West Bank before this October's planned rotation of premiership with the hardline Likud bloc. Under Likud, talk of negotiations is likely to be abandoned in favour of straightforward annexation—a course of action that Mr Ariel Sharon, now the Industry Minister, proposed again on Sunday.

Bitterly disappointed by King Hussein's rift with the PLO, West Bankers are also anxious to restart "negotiations about negotiations." Delegations have made their way to Amman in an attempt to persuade the King to try again with Mr Arafat, the PLO chairman.

But West Bank leaders have not so far picked up the Jordanian monarch's suggestion that they put pressure on the PLO to modify its stand on the inclusion of the Palestinian self-determination question in any peace talks.

As far as Israel is concerned, time is running out. A close aide to Mr Peres admitted privately the other day that as from May, the Prime Minister will be, in effect, a lame duck. Eight months away from the planned rotation electoral considerations, rather than those of peace, are already beginning to dominate the coalition government's day-to-day actions.

S. Africa business boycott planned

By Michael Holman

A BLACK consumer boycott of white businesses in South Africa will be launched "very soon," a prominent anti-apartheid activist announced in London yesterday.

Mr Mkhuseli Jack, speaking at the publication of a book entitled South Africa in the 1980s: State of Emergency*, would not disclose the precise date on which such a boycott would begin, but said that it would develop into a national campaign backed by trade unions.

Mr Jack was the organiser of successful black consumer boycotts in Port Elizabeth and the Eastern Cape region last year. He is also the spokesman for the Port Elizabeth Youth Congress (Peyco), and a founder of Cosas, the national black student body which was banned last July when the country's state of emergency was declared.

Mr Jack said that the consumer boycott would be in support of three main demands: the immediate release of political prisoners, including Mr Nelson Mandela, head of the banned African National *Congress (ANC)*; the lifting of the ban on proscribed parties and individuals; and a guarantee of safe return for political exiles.

Should the South African Government meet these demands, said Mr Jack, it could create the right atmosphere for round table talks "to map out a future for all South Africans."

● Seven suspected ANC guerrillas were shot dead by police in the black township of Guguletu near Cape Town yesterday morning after police received a tip-off from informers that the ANC planned a raid on a police vehicle. The tip-off allowed the police to prepare an ambush for the armed men who police said, planned to intercept a van taking policemen to work at Guguletu police station.

According to the police one of the seven men threw a grenade and others opened fire before the police in hiding opened fire killing all seven. Two policemen were slightly wounded.

**South Africa in the 1980s: State of Emergency, Catholic Institute for International Relations, 22, Coleman Fields, London N1, £3.25.*

Kurdish guerrillas back Iran on second front in Gulf war

BY KATHY EVANS IN DUBAI

IRAN and Iraq reported heavy overnight fighting in the northern sector of the Gulf war yesterday as Kurdish guerrillas on the Iranian side started playing a bigger part in the battle.

The Kurdish guerrillas, Iraqi in origin, were reported to have attacked the road between the Iraqi mountain town of Chwarta and Sulaminiyah, a leading Kurdish town in the north of Iraq.

Diplomats in Tehran say that the response of the Kurdish population in the area will be crucial to the outcome of the fighting in the northern sector.

The Iranians are hoping that with the traditional leaders of the Kurdish community on their side there will be no need to capture Sulaminiyah and a general uprising against Baghdad will result, say observers in Tehran.

However, the Kurdish community is aware of the dangers of becoming political pawns and the consequencies it might suffer from the Iraqis if the Iranian advance is halted.

Iranian communiques said yesterday that their forces now control 130 square miles of territory in the northern region since it launched its "dawn 9" offensive a week ago. Baghdad officials said meantime that its forces had killed 800 Iranians in the past 24 hours in the northern sector.

The result of the fighting in Kurdistan will determine whether Iran will launch yet another offensive, observers say. Although the Iraqi advance in the south is progressing only slowly, the Iranians may opt for another diversionary tactic to further dent Iraq's military structure and alleviate pressure on their forces in Faw.

Iraq claimed yesterday to have wiped out two Iranian divisions in the Faw peninsula, though it was not clear whether this was from the Iranian Revolutionary Guards or from the Volunteer Corps. However, there was no mention in Iraqi communiques of any territorial advance towards the disused oil port in the southern peninsula.

Chinese fired after visit to Japanese shrine

BY ROBERT THOMSON IN PEKING

A SENIOR Chinese official has been dismissed from his positions and expelled from the Communist Party for cultivating a "corrupt" lifestyle, and for visiting the controversial Yasukuni war shrine during a stay in Japan.

Zhou Erfu, vice president of the Chinese People's Association for Friendship with Foreign Countries, "tarnished the national integrity of a socialist country" by visiting the shrine late last year, according to a report by the Communist Party's discipline inspection commission, which is conducting a campaign against corruption in high places.

A visit to the shrine last August by the Japanese Prime Minister, Mr Yasuhiro Nakasone, created serious problems for Sino-Japanese relations as the Chinese Government accused the Japanese leader of paying homage to "war criminals."

Mr Nakasone's visit was the first to the shrine by a prime minister in his official capacity and, following the strong Chinese opposition to the visit and a rise of anti-Japanese feeling in China, Mr Nakasone discarded plans to attend a second ceremony at the shrine.

Chinese sources said the paramount leader, Deng Xiaoping, expressed his personal disgust on hearing of the exploits of Zhou, who is also a well-known author, and who apparently procured a pornographic videotape while in Tokyo.

Cairo riot link claimed

THE semi-official Cairo newspaper al Akhbar, yesterday reported what it claims is a link between Islamic fundamentalists and last weeks rioting by security police which destroyed two luxury hotels and caused other property damage, **Tony Walker writes from Cairo.**

The paper said a lawyer connected with the proscribed al-Jihad (religious struggles) organisation, held responsible for the assassination of President Anwar Sadat, was arrested leading a group of looters near the pyramids on the western fringes of Cairo.

The paper did not name the man, whom it said was detained in 1981 at the time of the Sadat assassination, and later freed. Government officials, have been hinting that the possibility of the involvement of Islamic agitators in last week's events but as yet, have produced no evidence.

NEW YORK MAYOR AT BAY

Claims of corruption take toll on Koch

BY TERRY DODSWORTH IN NEW YORK

HIZZONER, the irrepressible Mayor Ed Koch of New York, spent part of his weekend dressed up in a clown's suit performing a song and dance routine at the Inner Circle Show, an annual charity event arranged by the city's political press. But, for once, not everyone was amused by his antics.

Indeed, even the mayor himself did not appear to be enjoying himself with his usual ebullience. According to guests, his response to the customary lampoons on the failings of the city government were strained and even sombre — a telling indication that the allegations of corruption in his administration are taking their toll.

The bribery scandals that have surfaced in New York over the past two months have forced Mayor Koch into an unfamiliar defensive role. Always at his best when attacking the opposition or taking the initiative, he has been patently scrambling to contain the crisis, effectively protecting his own high reputation for integrity, but accepting some responsibility for the failings of subordinates.

It is too early to say whether the scandals will cripple the mayor in his third four-year term, which kicked off amid so many high hopes only a few weeks ago. Mr Koch had aimed at making his last term into a period that would consolidate his hold on New York history, not only as the leader who saved the city from fiscal disaster in the 1970s, but also as a builder of a stronger government that would eradicate some of the startling social inequalities in the richest city in the world.

Up until last weekend, there were few signs that the mayor had been made politically vulnerable by the corruption allegations, which led to the resignation of Mr Donald Manes, the Queens borough president, three weeks ago. But the atmosphere has changed distinctly following a demand by Mr Warren Anderson, the Republican state senate majority leader, for the establishment of an investigative commission to probe corruption in the city.

This was the first serious attempt by the local Republican party to make political capital out of the situation.

In spite of this attempt to hit at the mayor and the ruling

Mr Koch: reputation for integrity

Democratic Party, the Republican opposition has privately given Mr Koch high marks for his handling of the crisis so far. His initial response to attacks on Mr Manes, alleged to have been at the centre of a bribery scandal involving the parking violations bureau, was to rush to the defence of an old political ally. But as soon as he saw that this was a policy doomed to failure, he distanced himself swiftly and ruthlessly, describing his old friend as a "crook."

He has also promised action wherever necessary, taken "responsibility" for the Administration's shortcoming, and neatly presented himself as a man misled by overconfidence in his subordinates. He has also taken strong action to cancel city contracts where he thinks there are rooms for suspicion of corruption, and appointed a commissioner to look into the scandals.

All this, along with his continuing cry of *meo culpo* have helped to win him widespread approval.

The technique of admitting error but insisting that things would go on as normal, was evident at the Inner Circle Show, where one follow-Democrat, Mr Denny Farrell, who ran against Mr Koch for the Democratic nomination last year, said admiringly that the mayor, as usual, had forced reluctant admiration out of his detractors. "I have to hand it to him," he said.

Philadelphia mayor accused of negligence

By Our New York Staff

THE POLITICAL career of Mayor Wilson Goode, the head of the Philadelphia city administration and one of the leading black mayors in the US, has received a severe setback over his handling of a violent confrontation with a radical group last year.

In a report on the incident, in which a police bomb caused a fire storm that ran through an entire neighbourhood, Mayor Goode and senior officials were found "grossly negligent." Mayor Goode was additionally accused of allowing racism to influence his actions, which would have been different, the report suggested, if the area involved had been a white neighbourhood.

The commission, appointed by the mayor, condemned virtually every step of the city officials in their attempt to evict the radical group, called Move, from a house in the city. Action against the group, described as an "authoritarian, violence-threatening cult," went badly wrong when police officers dropped a bomb on the top of the Move house, starting a fire that went on to kill six adults and five children, as well as destroying 61 homes.

"The plan to bomb the Move house was reckless, ill-conceived and hastily approved," the commission concluded in its draft report, which was leaked to a local newspaper. "Dropping a bomb on an occupied row house was unconscionable and should have been rejected out-of-hand by the mayor, managing director, the police commissioner and the fire commissioner."

Mayor Goode, who entered the crisis with a high reputation in government, has accepted responsibilty for the disaster, but has rejected blame, indicating that he was misled by his officials. The dissensions in the city government since the hearings of the commission, however, have taken their toll on the administration.

Challenger probe call

SENATOR Ernest Hollings, a South Carolina Democrat and key member of the subcommittee that oversees the National Aeronautics and Space Agency (Nasa), has said more investigators are needed on the inquiry into the Challenger explosion to determine if the White House pressed for a launch on January 28.

Sarita Kendall in Quito looks at the impact of falling oil prices

Ecuador puts on a brave smile

The oil crisis has come at a particularly bad moment for Ecuador. Only a few weeks ago the President returned from Washington where he dazzled the US Government and business community with the image of an economically solid and politically stable democratic nation – but already political strains are evident.

THE ECUADOREAN Government is putting on a remarkable display of confidence in the face of plunging oil prices. Having admitted that this is probably the worst crisis of the century, President Leon Febres Cordero last week set his economic team to reassure the country that everything will be all right.

Ecuador has rallied through previous boom and bust cycles, but the heavy dependence on oil income, combined with total uncertainty about the future of the oil market, make this a tougher prospect.

Oil accounted for two thirds of export earnings in 1985, and it usually contributes about 50 per cent of tax revenue. Over the last three years the energy ministry has increased crude production and exports to offset lower prices, and output is now about 300,000 b/d.

Fellow Opec members have been critical of this refusal to abide by the country's 185,000 b/d production quota, but the Government argues that Ecuador needs the dollars.

The whole question of Opec membership is becoming more controversial, given Quito's close ties with Washington.

For every dollar off a barrel of crude 1986 export income will drop by about $68m. As this year's calculations were made at $25.0 a barrel Ecuador stands to lose over $700m at current prices.

Apart from representing 25 per cent to 30 per cent of foreign earnings, this is roughly the sum needed to service the $7.5bn foreign debt. The Government is emphatic that debt payments will not be affected and that no further rescheduling is planned. Last December an agreement to reschedule $4.6bn of debt was signed.

To be optimistic with these figures in hand is quite an achievement. It is easy to see how Mr Carlos Julio Emanuel, the president of the central bank, inspires credibility among foreign creditors. He said the Government was still working on the basis of an even balance of payments, and no drastic economic measures were expected. Export income would be replenished by higher coffee and shrimp prices, while credits for at least $600m were to be disbursed by the World Bank and the Interamerican Development Bank.

If it proved necessary, there would be no difficulty in negotiating loans with commercial banks, and lower interest rates should also help.

According to Mr Emanuel further devaluations can be ruled out – even though the free market sucre is running at about 150 to the dollar compared with the official exchange rate of 110.

Devaluation, the removal of subsidies and other IMF style measures tend to bring demonstrators out on to the streets, and trade union leaders have already warned that the workers should not have to suffer because of the oil outlook.

Exactly who will bear the burden is uncertain and seems unlikely to be clarified before the June congressional elections. President Febres Cordero is to call a referendum on a change to the constitution, probably at the same time. Opposition parties say this should benefit pro-government candidates as the reform – which would allow independents to take part in elections without the sponsorship of political parties – will probably be approved.

However, the balance of forces in Congress could well be upset making it difficult for the President to forge another right-wing coalition out of the numerous parties and splinter groups. So far he has been successful in keeping the opposition in confusion.

The oil crisis has come at a particularly bad moment for Ecuador. Only a few weeks ago the President returned from Washington after dazzling the US Government and business community with the image of an economically solid and politically stable democratic nation.

Political strains are already evident, and there have been accusations of human rights violations. At the same time prices have begun to spiral and state entities such as the electricity institute are discussing investment cuts. Worst of all, Ecuador is in the midst of a campaign to step up oil exploration by foreign companies.

Six exploration contracts have been signed, and the state oil corporation CEPE is to offer five more blocks – four in the Amazon region and one on the coast. Oil reserves are now under 1bn BBS, and if production is to continue rising new deposits must be discovered. Output from the CEPE-Texaco Amazon fields will reach a maximum of 243,000 b/d in 1988. Fortunately costs are relatively low at about $6.00 a barrel for CEPE and $3.60 for Texaco-CEPE.

Recent crude sales have hovered around $14.00 a barrel. Price levels are being set in relation to Alaska North slope, but the country may change over to a net-back formula shortly. Provided prices stabilise at $15.00 or slightly higher, the situation will be manageable, according to Finance Minister Francisco Swett.

The national budget may be cut by 5 per cent, though even this can be avoided if tax collection improves.

So far the economic team has concentrated on defusing anxieties and promising not to take unpopular measures. Another drop in prices would make this approach untenable – but already there are doubts about its advisability.

Some economists and businessmen are calling for a longer term strategy that will ensure less dependence on oil, rather than the current tendency towards even greater vulnerability.

Haiti to pursue regime's torturers

HAITI'S new leaders have bowed to popular pressure and promised action against the torturers of the Duvalier dictatorship in an attempt to maintain control over a country in ferment, **Reuter reports from Port-au-Prince.**

Coupled with substantial cuts in the price of sugar, flour and petrol, the promise ended widespread mob violence as well as a dispute within the Government over how to deal with former officials suspected of crimes and human rights abuses.

But there is little doubt here that the pledge has won only temporary respite for a Government viewed with suspicion and mistrust by many of Haiti's six million people.

Alarmed by widespread violence and the looting of homes of former officials of Jean-Claude "Baby Doc" Duvalier's regime, the Government announced last week that it would seek the extradition of the ousted Mr Duvalier and his police chief, Albert Pierre.

Haitians suspected of abuses during 28 years of the Duvalier family's rule would be brought to justice and have their property seized, the statement said.

Popular anger has focused on the Tontons Macoutes, the Duvaliers' private police force which became a symbol of terror. In the days after Mr Duvalier's departure on February 7, many Tontons were lynched.

The announcement cooled tempers but the events leading up to it raised doubts about the Government's ability to gauge the mood of the country.

US industry 'increases orders'

BY STEWART FLEMING IN WASHINGTON

AN encouraging assessment of the outlook for the US economy in the first quarter of this year is presented in the latest montly survey of the National Association of Purchasing Managers.

The survey, which covers 250 industrial companies, is watched closely because it has been a good indicator of conditions in the manufacturing sector.

The report says that the brisk expansion of production in January continued into February. The proportion of purchasing managers reporting an increase in orders last month rose to 35 per cent from 34 per cent in January.

Mr Robert Bretz, chairman of the association's survey committee, said that the strength of production and the sustained growth of orders "virtually assures" a good first quarter performance fo the economy.

He waned that the decline in the survey's composite index to 50.9 per cent from 52.4 per cent in January suggests caution as the economy enters the second quarter.

● US construction spending rose by $3.3bn (£2.27bn), or 0.9 per cent, in January to a seasonally adjusted annual rate of $357.3bn, the Commerce Department said, **Reuter adds from Washington.**

Spending in December rose a revised $8.9bn, or 2.6 per cent. The department previously said December construction spending rose 2.8 per cent.

The January rate was $16.3bn above the January 1985 rate, an increase of 4.8 per cent.

Colombian President signs truce with guerrilla group

THE signing of an indefinite truce with Colombia's biggest revolutionary guerrilla group has boosted President Belisario Betancur's image as a peace-maker, diplomats say, **Reuter reports from Bogota.**

The pro-Communist Revolutionary Armed Forces of Colombia (Farc) yesterday agreed to an indefinite extension of a 21-month ceasefire with the Government.

Mr Betancur's four-year term ends on August 7. Presidential elections are scheduled for May 25.

The extension of the truce had been widely expected after the Farc agreed to contest parliamentary elections next Sunday.

Speaking after the accord was signed by members of the government peace commission and top Farc leaders in a remote mountain zone south of Bogota, Mr Betancur said: "Discussion will always be better than confrontation."

Fresh delay in $1bn Egyptian plant deal

BY TONY WALKER IN CAIRO

EGYPT HAS asked international consortia, bidding for a nuclear power plant project valued at over $1bn, to extend the validity of their bids until June 31 this year.

This is yet another delay in the selection process for a nuclear plant to be built on Egypt's coast 160 km west of Alexandria. The bid-validity period had previously been extended to mid February.

Companies on the short list, including Kraftwerk Uninn of West Germany, Westinghouse of the US and Framatnne of France, have been asked to resubmit bids in what amounts to a last chance to improve their offers for the el Dabae project.

News of the latest delay was conveyed tn representatives of the consortia on February 19 by Dr Ali el Saiedi, chairman of the Nnclear Power Plant Authority, (NPPA). Dr el Saiedi indicated that bidders would receive a letter in mid March, asking them to provide a "final offer" for the project.

A technical evaluation committee reporting last year is understood to have recommended KWU for the 1,000 megawatts power plant, but a committee presided over by Government ministers, was unable to make a final decision. KWU's offer of about $1.1bn based on 1983 prices was considerably lower than its main competitor Westingbouse.

The US-led consortium, whicb includes Mitsubishi Heavy Industries of Japan, is said, however, to have improved its offer to make it competitive with KWU's.

Framatome at the bead of a Franco-Italien consortium, submitted a bid for twin 1,000 megawatts reactors. This proposal waa almoat certainly out of the question given Egypt'a straitened financial circumatances.

A strengthening of the D-mark and o weakening of the dollar may help Westingbouse to improve its bid further than is possible for KWU. Political considerationa such as Egypt'a close commercial and atrategic ties to the US may also he a factor in the final decision.

India near to deal on UK carrier

By John Elliott in New Delhi

NEGOTIATIONS are at an advanced stage for India to huy the Hermes aircraft carrier from the UK in a deal believed to be worth abont £60m. The deal will inelnde spares and a refit in the UK.

The Hermes would be used to carry Sea Harrier jump jets and Sea King helicopters which are betng bought by the Indian Navy from the UK and would, the British Government hopes, lead to more aircraft orders in future years.

India has only one aircraft carrier, the Vikrant, but it is likely to need a third

Negotiations between the two countries on some major projects are still being affected by diplomatic problems over the activitiea of Sikb extremists in the UK, bnt the Hermes deal might be finalised within a few weeks to allow the Devonport refit to go ahead.

A memorandnm of understanding is being completed and a detailed sales agreement is to be drawn np soon.

India is pressing for rednctions in the price of the deal, arguing that the UK has no other potential customer for the ship whieb led the British fleet in the Falklands action four years ago. However, that negotiating stance is balaneed by there being no other aircraft carrier on offer to India.

John Griffiths reports on the Soviet carmaker's renewed battle with Hyundai

Lada launches a comeback in Canada

SOME CANADIAN owners nf Russian-built Lada cars are unlikely to forget September 1 1983. Smashed windows or sledgehammered body panels symbolised the outrage felt at the Soviet shooting down of a South Korean airliner, killing ell on board.

In the immediate aftermath Lads's monthly sales in Canada plummeted from between 650 and 700 to around 50. In an effort to avoid a Soviet stigma first felt with the invasion of Afghanistan, the then-importers changed both the name of their company and that of the car.

Four months ago, the importer, Peter Dennis Motor Corporation (PDMC) went into receivership, following a disaatrous year spearheaded by competition from the Pony model made by Hyundai. Many Canadians perceive a satisfying irony in the success of South Korean's principal car producer at the expense of the Soviet model.

Hyundai's sales performance in Canada has been spectacular since its arrival at the start of 1984. Laat year, it expected its 50 dealers to sell 5,000 cars. Instead, 79,072 were sold — a record for any importer — and its dealers now total 190.

Many were deserters from the Lada franchise. With Hyundai's first car, the Pooy, pitched head-on against Ladas in the C$6,000-C$7,000 (£3,000-£3,500) bracket, the Russian cers have been seen as the main victims of the Korean onslaught. From peak sales of 14,000 in 1982, Lada slumped to 3,847 last year.

Lado Samara hatcbback—boping for a warm reception on Canada's car market.

Mr David Hunt, deputy chairman of the failed importer, and formerly managing director of Satra Motors, the UK Lada importer believes Lada still has e future in Canada. He and two fellow investors have formed a new company, using the assets of the collapsed venture both to import and assemble Ladas, and have definitely revived the name of Lada Canada.

The company haa set a target of an annual salea rate of 10,000 cars by the end of thia year. It expects to be able to achieve this by:

- A renewed marketing effort for the Signet, sold elsewhere as the Lada Riva and based on an old Fiat design, the 124 in saloon and estate forms;
- The launch, hopefully in mid-year, of an all-new front wheel drive 2108 hatchback which has been partly developed for Lada by Porsche;
- The resumed sale and assembly in Halifax, Nova Scotia, of Lada's Niva four-wheel-drive leisure vehicle, from partly knocked-down kits.

Together, says Mr Hunt, these three vehicles should capture about 1 per cent of the Canadian new car market, which totalled 1.13m units last year.

Mr Hunt believes that perceptions about reasons for the company's failure are at least partly wrong. People believe wrongly that it was brought obout directly by Hyundai, Mr Hunt says. "It was caused mainly by a diversification into sectors which ad notbing to do with the motor industry—bulk oils, commodities trading, satellite communications," he stresses.

The cars operation was trading profitably wben the receivers, Toronto-based accountants Clarkson Gordon, moved into PDMC's beadquarters at nearby Ajax, Ontario, on October 10.

Lada Canada's new president says that the investment to relaunch Lada is "very substantial." It includes $C4.5m for PDMC's stocks of parts to service some 50,000 existing Ladss.

One fellow investor is another former PDMC executive, Mr Arthur Beatty, now vice-president, the third partner remains anonymous. A bolding company, Trans-Globe Trade, of which Mr Hunt is also president, has been formed.

Mr Hunt claims that the revival ia already well under way. Currently, there are 87 dealers, with a total of 100 planned.

The fightback against Hyundai will be mainly price based. Current Lada modela sell for around C$1,000 less than the Korean cars. But their basic design ia more than 20 years old, and Lada's main hopes are pinned nn the 2108 which, says Mr Hunt, will be priced at just under C$7,000, compared with Hyundai's Stellar saloon and Pony Excel hatchback at C$7,500-C$8,000.

Lada Canada is under no illusions, bowever, about major gains being easily achieved. Hyundai is not constrained by Japanese-type import quotas and plans to ship 100,000 units to Canada in tbe current year. It is also to build a C$300m, 100,000 cars-a-year assembly plant at Bromont.

Hyundai currently importa its cars duty free aa a less developed country but will be obliged to pay a 6 per cent traiff from the beginning of 1987. A tariff of 10 per cent is levied on the Russian cars.

The Canadian Federal Government is trying to placate an increasingly restive domestic car industry, facing not only the Hyundai assembly operation, but plants planned also by Toyota and Honda. Importa jumped by 40 per cent last year to take 32 per cent of the market.

Inevitably, Lada Canada will remain vulnerable to eny further East-West upheavals. Yet for the moment, in Mr Hunt'a view, the portents look good in the changed climate following the Reagan-Gorbachev summit. They need to change: "I've thrown every penny I've got into this venture," he admits.

Asea wins SKr 900m power order from India

BY DAVID BROWN IN STOCKHOLM

ASEA, the Swedish electrical engineering and electronics group, has won an order valued at SKr900m (£86m) to provide a complete bigh-voltage direct current power distribution system to Indian authorities.

The equipment, to be financed with Swedisb credits and development aid funds, includes transmission equipment for a 900km-long system between a coal-fired power station in Rihand to New Delhi.

The equipment will be produced in Sweden and will make up the first such system to operate in India.

Mr Arne Bennborn, Asea's executive vice-president, said the order was a "major strategic success" given India's plans to double its electrical generating capacity over the next decade.

"Thermal power production, based on the use of coal, requires transmission systems from the coalfields to the major cities like New Delhi, Bombay and Calcutta," he said.

Asea says it has won orders worth SKr 2.5bn from Indian customers in the past two years, including an SKr 850m coal-fired power station, transmission equipment and a number of electric locomotives.

Spain calls for controls to stem steel imports

BY PAUL CHEESERIGHT IN BRUSSELS

SPAIN has called for European Community controls to stem a surge of steel shipments on to its market. The European Commission is expected to settle the details of a safeguard system tomorrow.

Community industry ministers were told yesterday that the request had been formally placed with the Commission, which has the power to accept or reject the application.

Steel shipments to the Spanisb market from Community countries climbed sharply as soon as Spain formally joined the EEC on January 1.

The reasons are not fully clear, bnt some of the shipments relate to orders placed before Spain joined the Community. The main sources of the shipments are thought to be the Benelux countries and Germany.

According to Madrid, between January 1 and February 10, 261,000 tonnes of steel went from the rest of the Community to Spain – between two and three times the average 1985 monthly level. There was a four-fold rise in some products, such as hot-rolled coils.

The Commission has to decide what is the normal level of imports, which means taking a reference period and settling a 1986 quota based on the level of shipments for that period. Mr Karl-Heinz Narjes, the commissioner for industry, has indicated that the reference period will not cover the whole of 1985.

Mr Narjes would like Spain to enter the Community system of production quotas from next year and will propose this.

Romania pushes exports

BY LESLIE COLITT IN BUCHAREST

ROMANIA is continuing its export drive to the West without let-up in order to reduce the country'a debt to western banks.

Trade officials in Bucharest said Romania was aiming to achieve a $2bn bard currency trade surplus this year to help pay 30 per cent of the country's western debt.

This was stipulated by President Nicolae Ceausescu recently when he indicated the debt bad been reduced within five years to $4bn from $10bn.

Western commercial sources said the current net debt was probably $500m greater because of the US currency's decline.

Romanian officials said last year's bard currency surplus of nearly $2bn followed a surplus of $2.5bn in 1984. But the 1984 results bad been questioned by western analysts who said they were based on artificial exchange rates.

Foreign trade ministry officials in Bucharest said falling oil prices were e definite advantage for Romania which is a net importer of oil.

Matsushita to build two plants in W. Germany

By Carla Rapoport in Tokyo

MATSUSHITA ELECTRIC, Japsn's largest consumer electronics company, yesterday said it plans to expend in West Germany this year in two deals wortb about DM 37.5m (£11.7m).

In the first deal, Matsusbita plans to build a plant in Peine, Niedersachsen, which will make components for videotape recorders. This plant, which is expected to be completed this summer, will initially produce 30,000 components, called mechanism blocks, monthly.

The facility, whicb will cost DM 25m, is expected to have en eventual nutput of 500,000 blocks a year.

Matsushita has about 20 per cent of tbe European VTR market.

In the second deal, Matsushita says it will build a plant in Lüneburg, Niedersachsen which will initially make bigb-voltage end low-voltage transformers. The plant will cost about DM 12.5m.

Chicago foods group in China venture

By David Dodwell in Hong Kong

SARA LEE, the Chicago-based foods group, yesterday agreed its first joint veoture in Cbina, a $5m (£3.4m) soft drinks and canned foods plant in Ningbo, south of Shanghai.

Partners in tbe venture include tbree mainland Chinese corporations snd Dairy Farm, the Hong Kong-based food manufacturer and retailer. The plant is due to be fully operational in 1987.

The three Chinese partners—tbe Ningbo Light Industry Corporation, the Ningbo Economic and Tecbnical Development Zone, and the China Internationol Truat and Investment Corporation (Citic)—will bold 50 per eent of the equity, witb Saro Lee taking 40 per cent, and Dairy Farm the remaining.

The plant is intended to make soft drinks for consumption inside Chins, and a variety of canned fruits and vegetables for export. The main overseas market ia expected to be tbe US.

UK NEWS

Hugh Carnegy describes the ugly mood on Northern Ireland's day of protest

Angry show of Unionist strength

"I CHARGE Mrs Thatcher with the murder of democracy. How do you find her? Guilty or not guilty?" roared Mr Peter Robinson, deputy leader of the Democratic Unionist Party and leading light of yesterday's day of action in Northern Ireland.

"Guilty" came the resounding reply from about 3,000 Loyalists gathered at midday outside Belfast's imposing City Hall, scene of many an angry Unionist show of strength over the years.

Like many of the various protest actions across the province, most attending the rally commemorating "the death of democracy" as signified by the hated Anglo-Irish agreement, were young. Their attention was soon diverted by a puff of smoke from a side street. Here was a sniff of action.

Thousands ran off to the scene as two cars were overturned and set on fire, several plate glass windows were smashed and Bosco's Disco went up in flames. The platform speakers were left standing to lonely attention for the last post and a curiously harmonious rendition of the national anthem.

Out in the country, Mrs Thatcher was also the object of Unionist bile at dozens of roadblocks, fashioned from cars and tractors and, favourite of all, stinking slurry spreaders. "They call her the Iron Woman, but we'll weld her. It's steel men she's dealing with now. We've followed enough coffins," came the comment at a roadblock outside Omagh, Country Tyrone.

Just south of Londonderry, a group of young Loyalists, male and female, some in paramilitary style dress, were in ugly mood. Where others manning the roadblocks had let through reporters, these were uncompromising and angered by the sight of my Dublin-registration plates.

I got out, but the effort to explain that I wanted to report their views and that other roadblocks had understood this was in vain. A blow was aimed at my back, the car was rocked and its aerial snapped off before police moved in to heave the protesters out of the way on the order of the senior officer present.

At the start of the day "intimidation" was the word on everybody's lips. Mr Tom King, Secretary of State for Northern Ireland, was on almost every radio station denouncing Loyalists for intimidating those who wanted to go to work. Unionists retorted that it was Government and management who were intimidating people into going to work. Oil and nails strewn on a motorway could have been the work of a Government "dirty tricks department," explained Mr Robinson.

Main routes into Belfast were kept open, but a drive from Londonderry was a zig zag affair around blocked towns and villages.

In and around Belfast, the protests flared into violence from time to time. But in most districts all was Sunday-quiet, with shops closed. Banks stayed open and in the city centre, where many of Britain's big retailers have stores, Marks & Spencers, C&A and Boots were open – but doing little business.

The main industrial focus was in East Belfast's docklands where Shorts and Harland and Wolff urged their workers to come in as usual with warnings of the possible consequences for two vulnerable state companies.

The shipyard was in the spotlight as the strike was launched at midnight in a glare of apparently well organised publicity for the pickets. Up to 50 men stopped each car that arrived, building up a tailback of some 60 cars by mid-morning. The police stood by but did not intervene.

Mr Robinson was again in evidence, sweeping past the queue in a convoy of three cars to encourage the strikers who claimed that most workers had stayed away.

The Government said 90 per cent of non-industrial civil servants had turned up for work and 91 per cent of health and social security workers.

Throughout the day, the minority Catholic community kept quietly to itself, save for an outburst from Mr Seamus Mallon, MP. He was victor over the Unionists in Newry and Armagh and complained loudly that the Royal Ulster Constabulary should have taken tougher action against roadblocks, e suggestion that would almost certainly have been a recipe for mayhem.

Helicopter link 'scapegoat' for noise protests

By Michael Donne

THE British Caledonian helicopter link between London's Heathrow and Gatwick airports, which has been suspended since early February pending a decision on its future, has been turned into "a scapegoat for all general protests about aircraft noise," the independent airline claims.

In a submission to Mr Nicholas Ridley, Transport Secretary, seeking approval to revive the service, British Caledonian (BCal) says that the inter-airport helicopter link not only generated substantial revenue for British aviation but also provided a much-needed service for international travellers to the UK.

Mr Ridley had directed that, once the M25 motorway link between the two airports became operational, the helicopter service should cease, being no longer justified in the light of the fast road connections that would become available. The motorway is now open.

BCal applied to the Civil Aviation Authority for permission to continue the helicopter schedules. After a 16-day public hearing, the authority recommended that the service should continue.

Embattled print unions reach out for wider public support

Philip Bassett explains why unions are taking part in a media blitz over their Murdoch newspaper dispute

AS A DISPUTE, News International's move last month from central London to a high technology plant at Wapping in London's docklands is not being hammered out on the anvil of the streets of east London.

That, at least, is much of the import of the unions' message. Instead, they see public opinion as a crucial lever in the dispute and the loss of jobs, without compensation, for some 6,000 print workers.

Not without anxiety, though. Unions are aware of the old dictum that if you've got £1 and public opinion on your side, then you've certainly got £1. They know public opinion can be a fickle beast; that's why they try to feed it.

Yesterday saw a fresh attempt at that. The last few days have seen a real media blitz by the union, with interviews given by Ms Brenda Dean, general secretary of Sogat, the general print union, run extensively – from the Washington Post to Marxism Today.

The union yesterday widened its base of outside support by presenting at a press conference a nurse from a London hospital, a member of the National Union of Public Employees, three teenage newspaper delivery boys from Barnsley in South Yorkshire, and a Conservative-voting newsagent from Bromley in Kent.

In detail, their message was varied. The nurse spoke of solidarity, and of repaying debts for the print unions' efforts in the 1982 National Health Service strike; the paper boys of their refusal to handle Mr Rupert Murdoch's newspapers, and of their mostly successful persuasion of people on their rounds to accept alternatives; and the newsagent of the clearly extensive and irritating delays and hiccoughs in the papers' distribution.

Overall, though, their impact was similar. This is not just a case being peddled by the print unions centrally involved in the dispute, but something much wider, something which touches people outside the normal boundaries of a dispute.

Ms Dean, in particular, is acutely aware of the need to deploy as many disparate elements as possible in support of a group of employees self-confessedly not among the most popular in the country. Coffee mugs have been made to support the boycott of Mr Murdoch's papers, 2.5m leaflets and stickers have been issued (demand has outstripped supply, according to the unions); posters have been erected on 48 boardings up and down the country; a mobile poster has been paraded on the back of a truck, touring London; a girl has urged the public not to allow Mr Murdoch to sack her father; the girl says later that her father believes that the unions are winning.

It throws the unions into an uneasy state of suspension over the Wapping pickets and in the hard area of the courts – the sequestrators return to tha High Court today.

From the print unions' point of view, their emphasis on campaigning, on winning the public's hearts and minds, may be a realistic index of their lack of traditional leverage, in a dispute which displays few traditional elements.

It may be one of their few cards, but it is one which News International, despite the apparent strength of its own hand, is finding difficult to counter.

SHETLAND HEADS FOR COURT OVER OIL CASH CLAIMS

Islanders turn the screw on Sullom Voe

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

A SET of agreements struck by Shetland islanders to make the most of the multinational oil companies using the Shetlands has partly come unstuck. The islands say they are not being paid what they are owed. The oil companies are not about to give in.

BP, which operates tha Sullom Voe oil terminal on behalf of 32 companies with offshore oil platforms in the northern sector of the North Sea, will this year pay £53.4m to Shetland Island Council.

If this seems a generous figure, consider the £320m before interest which Shetland says it is owed by ths oil companies. This year alone the council claims it is due about £160m.

Relations between the council and Sullom Voe have always been slightly uneasy. Now, a dispute heading for the courts over the lease for the 1,000 acres of land for the terminal has sharpened resentment.

Some island councillors query what good Sullom Voe has been for Shetland, 12 years after work on it began. To them there is the enticing, but most unlikely, prospect of Sullom Voe, Europe's biggest oil terminal, being forced to stop storage and shipment of 1.4m barrels a day when an operating licence from the council expires at the end of this month.

The annual licence was produced by the council in lieu of an agreement on rent and was extended by only four months as heat built up for some sort of settlement after years of intermittent talks.

More important is the civil case in preparation before the Court of Session in Edinburgh brought by the island council against the oil companies over the basis of the rent. The oil companies say the lease should be based on the value of the land before development. The council quotes Scots law to justify an eyaulation on its present developed state.

For those who watched in glee in the early 1970s as a little island council representing 23,000 Shetlanders took on the smooth corporate lawyers of the multinationals, there is more bad news to come. Other agreements to extract payments from the oil companies for harbour dues, disturbance, not to mention property taxes are not going well either.

What fuels the islanders is a huge debt of £150m which Shetland has built up to provide the infrastructure for Sullom Voe. The islands now have e total per capita debt which the council estimates at £4,000, compared with the everage in Scotland of £1,200.

The council built schools, roads, sewage and other amenities for the terminal; but it also made the most of this great industrial visitation to improve public facilities throughout the islands.

The four-year construction phase brought a surge of prosperity to Shetland. More than one islander today will point to the extension to his house as the fat from the early 1970s. It was a construction boom which inevitably went a bit flat when the terminal went into production. Today it employs 1,200 people.

Sullom Voe is 30 miles north of Lerwick, the islands' capital, and it might be easy for Shetlanders to forget the terminal were it not for the determination to get what they feel is due to them.

Another disputed claim is over the disturbance payment. This shrewd proposal worked out in 1974 is designed to channel money into a charity well out of reach of central government. The islanders feel they have been cheated because the rate of oil flow which formed part of the basis for the toll has not been what was forecast.

The oil companies paid £2.58m this year for the allowance but the council want at least 50 per cent more. There is further argument about the interpretation of capital costs involved in the revenue and operation of the port and harbour facilities. Both sides have agreed to seek a ruling from the courts in an action separate from the rents case.

Rates (property tax) income has further vexed the council. Sullom Voe's payments were reduced through industrial de-rating to their present level of £29m a year; but this still means the oil companies pay 80 per cent of Shetland's entire rates (compared with 86 per cent before de-rating).

Within the 32 Sullom Voe partners there is a readiness to take a tough line in the arguments with the islands. Time works against the council since Shetland wants to make the best of the oil revenue before oil reserves decline towards the end of the century.

A ruling that rates on industrial plant in Scotland should be roughly comparable with plant in England has also put pressure on the council to make good the shortfall in rate income from the other agreements.

The Government's green paper (discussion document) on rates reform has said that in any reform of rates, Shetland's debts would have to be taken into consideration.

Oil executives tend to see the problems in a different light. One of them commented: "We know that sheep are an important part of the Shetland economy but we are the ones about to be fleeced."

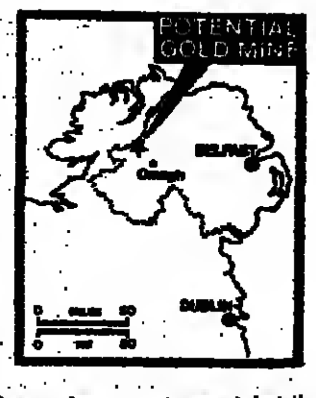
Ennex expected to develop gold mine in Ulster

BY KENNETH MARSTON, MINING EDITOR

A GOLD MINE is almost certain to be developed in Northern Ireland after test drilling on a discovery in the Sperrin Mountains of County Tyrone.

Although Ireland has a long history of mining base metals, this would be its first goldmine.

The find announced last year, was made by Ulster Base Metals, a subsidiary of Ennex International, an Irish exploration company which in turn is 51 per cent owned by Northgate Exploratinn of Canada. Ennex is seeking planning consent for underground development, which is needed to confirm the drilling results.



The first ore reserves examined amounted to 537,000 short tons containing an average 0.27 oz (8.4 g) gold per ton in the three vein structures tested out of 16 identified at the property. Further work, it is believed, will show a "substantial increase" in reserves in the immediate vicinity of the area drilled to date.

The project is regarded as having moved out of the exploration stage to the point at which studies can be made of the likely profitability of a mining operation. First gold production could start in about 12 months from the mine go-ahead decision, and Ennex would by eager to start as soon as possible to secure an early cash flow.

A relatively shallow, and thus low-cost, mine seems to be possible. Ore grades are quite good, but the vein-type nature of the deposit is such that a good deal of waste rock may have to be mined and this would have the effect of raising costs per oz of gold produced. The operation could thus be vulnerable to any setback in gold prices.

Detailed exploration is to be carried out of other areas in the Sperrin Mountains where a similar type of mineralisation has been found.

Ennex has also reported that it has obtained some encouraging results from its continuing gold exploration programme in Scotland.

The small Canadian exploration companies, Colby Resources and East-West Resource, have announce, that they are to start a drilling programme next month in the Loch Tay region of the Grampian Highlands.

BLOCK ON LOCAL AUTHORITIES IN LONDON AND MANCHESTER

Court halts council spending

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

Temporary injunctions were granted by the Court of Appeal yesterday stopping the Greater London Council (GLC) and the Greater Manchester Council (GMC) going ahead with plans to spend millions of pounds *before* they are abolished at the end of this month.

The orders were made within hours of a High Court judge ruling that the GLC and GMC, and a third Labour-controlled metropolitan council facing abolition, the West Midlands County Council, did not have a legal duty to provide surplus revenue for the authorities whn will take over their duties next month.

The Appeal Court's ban will remain in force until an appeal on Monday against the High Court ruling.

Between them the three metropolitan councils planned to spend £105m. The GLC planned to distribute £96m, including £25m to voluntary organisations, and £44m to the interim Inner London Education Authority.

Mr Justice Macpherson said in the High Court that some nf the GLC's spending decisions might appear to have political or social overtones that might please some people and dismay others.

"In this case, as in many others, the ratepayers will get the decisions they deserve from their elected representatives."

It was no part of the court's function to rule nn the popularity or otherwise of such decisions.

"Transitinnal funding," aimed at minimising the disruption to organisatinns caused by the GLC's abolitino, was "wholly within the law," the judge said.

The GLC's plans were based on painstaking reports by experienced officers and involved no procedural impropriety entitling the court to interfere.

Orders blocking the spending plans had been sought by Conservative local councils in the three metropolitan areas: Westminster City Council, backed by eight other London boroughs, Trafford borough council and Solihull and Walsall district councils.

Deadlock broken in teachers' pay dispute

BY DAVID BRINDLE, LABOUR STAFF

DEADLOCK over the teachers' pay settlement in England and Wales was broken yesterday when agreement was reached on the disputed question of a return to normal working in schools.

The employers and the five smaller teacher unions, preparing to strike a deal over the head of the National Union of Teachers (NUT), came to terms on a statement by which the unions have made a stronger commitment to restore the position as it was before the 13-month-old dispute.

Last night, the full statutory Burnham pay negotiating committee was meeting for the first time since last September to ratify the pay deal providing a 8.9 per cent rise backdated to April 1, 1985, a further 1.8 per cent from March 31 and a jnint commitment to future talks on a new teacher contract.

Snbstantial difficulties remain. The NUT, which represents just under 50 per cent of the 400,000 teachers involved in the dispute, has threatened legal actinn to stop the deal on grounds that Burnham cannot consider a settlement linking pay and contract service conditions.

The NUT has also said it will try to block the deal nn Thursday in the non-statutory service conditions committee, although the smaller unions say they have been assured by the emplnyers that rejection of the package there would nnt affect its implementation.

Above all, NUT members have voted by 87 per cent to maintain disruptive sanctinns in schools after any settlement agreed by the other uninns. These sanctions involve boycotting non-contract activities such as covering fnr absent colleagues.

The problem of attitudes towards such "voluntary" activities was cleared with the smaller unions yesterday when they agreed to "take such steps as they can" to establish an atmosphere of calm in schools.

Further, the five unions dropped their demand that about 70 education authorities withdraw letters threatening disciplinary action against teachers boycotting non-contract activities. The employers agreed, *however*, that no action should be taken on the letter while contract negotiations go ahead.

Nimbus to expand compact disc output

By Jason Crisp and Robin Reeves

NIMBUS RECORDS, the small specialist record producer in the Wye Valley, in the west of England, is to spend £8m expanding its production of compact discs at a new plant in Cwymbran, South Wales, and is expected to create 300 new jobs.

Nimbus is still the only producer of compact discs in Britain, although Thorn EMI and a small company called Disc Technology is building plants which are expected to go into production this year.

There is a considerable shortage of disc production capacity in the world at the moment and this has kept prices high at £10 to £13 a disc. Polygram has the largest plant in the world at Hanover.

Even though there has been a rapid expansion of disc capacity in Japan and the US it is not expected to match demand as sales of players rocket as prices tumble.

Nimbus says the new investment will increase its gross output of compact discs from £10m to £30m n year, with the opportunity to build this up to £50m within 18 months.

Mr Jim Drennam, chairman of Nimbus, said the order book was five times its present capacity. Statistics from the British Phonographic Industry – the record industry's trade association – show that sales of compact discs were 1.2m in the last three months of 1985, three times higher than the same period last year.

Sales of compact disc players have been growing rapidly in the US, Japan and some European countries. Retailers are expecting that there will be a large increase in the UK in 1986 as much lower priced models become available.

Some players now cost below £200 and Amstrad has just launched a complete midi-system, including a compact disc player for £299.

Thorn EMI, Britain's leading music company, which is spending £5m on a plant in Swindon has, like several other record companies, been embarrassed by the shortage of pressing capacity.

Polygram, for example, has limited the number of discs it will produce for other record companies. As a result a number of Thorn EMI's albums are not available on compact disc.

Mr Drennam said yesterday: "At the moment one in eight compact discs sold in the UK is manufactured by Nimbus. The new plant will enable us to maintain and improve on this ratio as the UK market expands."

The company presses discs for other companies as well as for its own specialist label. Nimbus says it exports 70 per cent of its output. The new Cymbran facility is expected to open in August.

The company is also to stop making conventional long-playing (LP) vinyl records this month because, "compact disc is so rapidly overtaking the LP as the mass market listening medium."

Maxwell rejects offer for papers

MR ROBERT MAXWELL, publisher of Mirror Group Newspapers, said yesterday he would not be selling his Glasgow-based titles the Scottish Daily Record and Sunday Mail, Fiona Thompson writes.

Mr Maxwell's statement followed an announcement yesterday by Mr David Campbell, chairman of Guthrie Newspapers, Ayrshire, that he was heading a consortium including big financial institutions which wished to buy the two newspapers.

Mr Campbell would not name the size of the offer but did say he was talking in terms of tens of millions of pounds. He said he had written to Mr Maxwell asking for an early meeting to discuss the possible sale of the papers.

A printed statement by Mr Maxwell in the Sunday Mail said: "Despite some journalistic claims our papers are not for sale. No amount of posturing by trade union leaders will change that."

Last night Mr Campbell said he had not received a reply from Mr Maxwell. He was aware of the Sunday Mail statement but hoped Mr Maxwell would change his mind.

□ BRITISH STEEL is to raise the price of its strip products and steel plate on April 1. The rises will be imposed either by reductions in rebates or direct increases in list prices.

Strip, used in the motor and domestic appliance industry, will go up 3 per cent and plate for shipbuilding and heavy engineering by between 4 and 5 per cent. The last increases, announced in December, ranged between 3 and 6 per cent.

□ THE MAJOR UK oil companies have been asked by the House of Commons energy committee for details of the relationship between crude oil prices and the retail price of petrol in the past two decades.

The information will reveal, says the committee, not only changing dollar and sterling prices of crude oil, but also the proportion of pump costs represented by taxes and duties.

□ IMPORTED copies of top films from the Middle and Far East is increasing video piracy again in Britain, the Federation Against Copyright Theft (Fact) said. The organisation has helped to squeeze the pirates down from a 60 per cent share of the £200m market to around 5 per cent since it was formed in 1983.

□ A CRASH programme to cut Scotland's unemployed was announced yesterday by the Liberal/SDP Alliance in Glasgow. It includes the creation of 64,000 new jobs by spending £280m – half on projects such as roads and hospitals, and the other half on a £40 a week subsidy to businesses to give someone who is out of work a job for at least a year. There would also be a 10-year economic plan for Scotland similar to those in Japan and Korea, as part of the Alliance's aim to reduce unemployment in Britain by 1.25m by 1990.

□ A £3m "pump-priming" scheme to promote environmental improvements in the South Wales valleys was announced yesterday by Mr Nicholas Edwards, the Welsh Secretary. He said the idea was to trigger improvement programmes by local authorities, voluntary organisations and the private sector.

The Welsh Office has allocated £2m for housing-related initiatives, plus £1m from the Government's Urban Programme.

Employers offer incentives to lure top students

EMPLOYERS are meeting sharp competition for high-flying students, including offers of cash incentives to sign up for a job early, in the spring-term graduate recruitment drive at universities and polytechnics, writes **Michael Dixon.**

Although many recruiters describe this year's graduate market as the most competitive they can remember, a report published yesterday by the Institute of Manpower Studies forecasts that competition is likely to become still keener because of the Government's cuts to higher education spending.

The report says: "While shortages of information technology specialists have been well reported, they are not the only area of intense recruitment. Rather, what is needed is good quality, broad-based graduates."

There is a particular demand for those with "personal qualities such as numeracy, motivation, communicative skills and an ability to work with others and in groups, rather than for their technical skills."

Company personnel managers say competition has been sharpened not only by a rise of about 4 per cent in demand by employers – especially those in the financial sector – but by a decision on the part of many final-year students to take their time about finding the right job.

"There is a general impression that the better people this year are taking a cooler look at the posts on offer, and putting in fewer applications on average than their predecessors have done in the past few years," said Mr Keith Bell of Price Waterhouse, chairman of the Standing Conference of Employers of Graduates.

"More students seem to have the idea that good job opportunities will still be around in the summer, so that for the time being they can afford to wait and concentrate on doing well in their final degree examinations."

While some employers have reacted to the students' more leisurely approach by offering pay premiums as an incentive to accepting a job early, Mr Bell and other recruiters say that "golden hellos" are rare. Companies offering them are almost exclusively overseas-owned financial-sector businesses.

The premiums are also fairly modest, about £500-£1,000 a year on top of the normal going rates. The forecast median normal salary offer by bigger employers is about £7,800.

The median figure conceals wide differences between sectors of employment, however, and between offers to students seen as outstanding and those judged to have lesser potential. The range runs from about £6,800 to £9,000. These figures also take no account for extra pay for people to work in London, again varying widely at an average of about £1,200.

Graduate Supply and Availability to 1987 and Beyond. IMS Brighton, £7.50.

Dilemma for life industry over disclosure plans

Eric Short explains how life assurance salesmen and women may have to disclose their commissions, and outlines the implications for the industry if the proposals are enforced.

THE LIFE assurance industry has been thrown into turmoil by the demand made by MPs in the House of Commons standing committee on the Financial Services Bill that all salesmen must disclose to consumers the commissions received on the sale of life contracts.

The move also has serious implications for the Marketing of Investments Board Organising Committee (Miboc), the body handling the marketing of investments aspects of the financial services proposals, which originally put forward proposals for disclosure of commissions.

These classified salesmen into two categories, independent intermediaries and company representatives, the latter including the so-called tied agent, a salesman who is not an employee of a life company but in return for additional remuneration places business with the company to which he is tied.

Independent intermediaries would be required to disclose to their client the amount of commission during the specified "cooling-off" period after a sale during which the client can change his mind and opt out. The full amount would be revealed unless the intermediary was operating under an industry agreement covering maximum commissions, in which case he would need only to state this rather than the precise amount. However, company representatives, including tied agents, would not be required to disclose commissions and this was the catalyst for the present problems.

The British Insurance Brokers' Association (Biba) claimed that this different arrangement for independent intermediaries and tied agents did not conform to the principle of equivalence of treatment. It wanted life companies employing tied agents to file details of their remuneration with the appropriate self-regulatory authority under the Government's financial services proposals so that this could be monitored and escalation of payments by particular companies investigated.

Some life companies, particularly the Salisbury-based United Kingdom Provident Institution (UKP), wanted tied agents to be subject to the same disclosure rules as independent intermediaries. It considered that the Miboc requirements would put independent intermediaries at a financial disadvantage to tied agents, and it has been urging those intermediaries to lobby their MPs pointing this out.

The campaign by Biba and UKP would appear to have achieved more than was bargained for. Mr Robert McCrindle, a Conservative MP, is the parliamentary adviser to Biba and his original amendment was very much on the Biba lines. But other MPs went much further, adopting the views of the Office of Fair Trading and the Consumers' Association that full disclosure be made by all salesmen during the sale, including a comparison with commissions paid on other products.

The whole theme of investor protection has been that the client should be given as much information as is necessary to enable him or her to make a judgement on the investment offered, and to make a comparison with other forms of investment.

As far as life assurance was concerned, Professor Jim Gower, whose original report to the Government on investor protection led to the current bill, went further and stated that commission should not influence the intermediary in his recommendation of life companies. Thus disclosure was necessary for independent intermdiaries but not for tied agents and company employees.

This principle was adopted in the Government's White Paper (policy document) on financial services, but the relevant parts of the Financial Services Bill are vague, since this is being left to the code of business rules issued by the Securities and Investments Board.

The Commons standing committee on Thursday went far beyond Mr McCrindle's original amendment, putting Mr Michael Howard, the Minister for Corporate and Consumer Affairs, under heavy pressure not only for full disclosure of commissions, but other charges and surrender values as well.

Mr Howard has referred the matter back to Miboc for urgent consideration. Miboc has to rethink its proposals within a month and it is difficult to see how it can avoid going a long way to meeting the committee's demand.

More derelict land despite greater reclamation efforts

BY FIONA THOMPSON

THE AMOUNT of derelict and waste land in England is increasing despite greater efforts by both the public and private sector to reclaim and restore the land.

A Department of the Environment report released yesterday shows that while areas of "traditional" dereliction, such as spoil heaps, pits and military and railway land, have fallen since 1974, there has been a large increase in other forms of dereliction, especially urban, such es former industrial sites and redundant gas works, docks and power stations.

Between 1974 and 1982 almost 17,000 hectares of derelict land were restored, but during the same time the total amount of waste land increased from 43,373 hectares to 45,683 hectares.

Dereliction was unevenly distributed over the nation and was a particular problem in the north and in Cornwall, said Professor Anthony Bradshaw, who launched the report. Industrial change, such as the closure of the Consett steelworks, was increasingly becoming a cause of dereliction.

The problem was not going to go away but a great deal more could be done about it, said Prof Bradshaw, joint author of the report with Dr Alison Burt, both from the University of Liverpool's Environmental Advisory Unit.

The problem was not just one for government or big business Prof Bradshaw said. The solutions were not only grandiose schemes like the Liverpool garden centre.

It was also about, for example, a very small area of urban clearance land in Toxteth, Liverpool, turned over to an inner city playgroup and reclaimed with the help of a grant and the local community; or a local authority and private company jointly reclaiming a former gravel pit for a sailing club.

Since 1979 the Government has spent £370m on derelict land reclamation. "We could do with more money," said Prof Bradshaw.

The money could also be better spent. More thought was needed in the planning stage.

The problem often was not in finding the capital to carry out the restoration but the revenue to maintain it afterwards.

Small businesses 'create up to 1.1m new jobs'

BY WILLIAM DAWKINS

SMALL BUSINESSES are believed to have created between 800,000 and 1.1m jobs over the last six years, according to the Small Business Research Trust, a privately-funded research body.

British unemployment could easily be a quarter or more higher if it were not for the jobs generated by small enterprises, the trust said. Its latest quarterly survey estimates that new businesses have created about 200,000 jobs since 1980, with the rest coming from the expansion of existing ventures.

The survey, the largest of its kind, covers more than 1,000 businesses, most of which employ fewer than 100 people. Of the sample, 12 per cent said they had increased their staff last year, but only 5 per cent expected to recruit more people in the final quarter of 1985.

Optimism about sales also tended to tail off towards the end of last year. A balance of 37 per cent (those reporting an increase minus those recording a decline) said turnover was up on 1984, but only just over a quarter expected rises in the final quarter. This was in line with the national decline in sales and output experienced last autumn, the trust added.

Financial service businesses were shown to be the most prolific job creators last year. More than a quarter of the sector reported rises in the workforce, followed by manufacturing and processing with 21 per cent. The outlook for job creation was good in the south and north-west of England, but prospects worsened in the north of England and Scotland.

Quarterly Survey of Small Businesses in Britain; £10, or £30 a year. SBRT, 3 Dean Trench Street, London SW1P 3HB.

Search on for wider use of space TV

By Raymond Snoddy

REAL revenue from satellite services in Europe over the next 10 years will come from business and institutional customers rather than extra television channels, according to a report published yesterday.

Communications & Information Technology (CIT) Research forecasts that revenues from West European satellite services should rise to a total of $1.5bn by 1995. But $900m of that is expected to come from services such as news and financial data, private corporate communication networks and other forms of closed user groups.

Mr Patrick Whitten, managing director of CIT, a consultancy specialising in information and new media, said yesterday that the search was on for far more commercial applications for satellites than broadcasting largely pre-recorded programmes.

None of the 18 European satellite television channels already in use were making money, Mr Whitten said. Further competition coming from channels such as ITV's planned SuperChannel meant the programme providers would end up "cutting each others' throats."

Developments in Europe would favour the "real time" use of satellites for such purposes as delivering financial news.

Total satellite service income in Europe, at present $25m, would rise to $120m in two years but under half would come from the domestic sector, be said.

The most viable satellite services would be those which combined audio, video, data and text. The plan to deliver live horse racing information by satellite to betting shops all over the UK was an example.

CIT says satellites will also be important for services such as computer to computer communications, remote/decentralised printing and electronic mail and database dissemination.

Mr Whitten also emphasised CIT's belief that the potential market for domestic satellite receiving dishes and direct broadcasting by satellite (DBS) had been greatly overestimated. CIT predicted some 400,000 satellite dishes would be installed by 1990 and 1.375m by 1995.

New Satellite Communications in Western Europe 1986 from CIT Research, 1 Harewood Place, Hanover Square, London W1R 9HA.

NOTICE OF REDEMPTION

BURLINGTON OVERSEAS CAPITAL N.V.

(now, BURLINGTON INDUSTRIES, INC.)

7¾% Guaranteed Debentures due 1987

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of April 1, 1972, providing for the above Debentures, there will be redeemed for account of the Sinking Fund on April 1, 1986 (the "Redemption Date"), $1,173,000 principal amount of the 7¾% Guaranteed Debentures due 1987 (the "Debentures"), at the redemption price of 100% of the principal amount thereof plus accrued interest to the Redemption Date.

The serial numbers of the Debentures which have been selected for redemption (each bearing the prefix letter "M") are:

1	2679	3505	3962	4647	5880	8513	11518	16722	17205	17726	17896	18257	18719	18980	19260	19536
5	2684	3553	3967	4654	5885	8518	11524	16728	17218	17739	17899	18260	18723	18986	19264	19540
17	2689	3559	3972	4695	5907	8524	11530	16735	17215	17736	18003	18283	18727	18990	19268	19545
22	2694	3564	3978	4702	5913	8529	11537	16741	17220	17740	18008	18288	18730	18994	19272	19550
28	2699	3569	3983	4707	5922	8534	11543	16746	17226	17746	18012	18290	18734	18998	19276	19554
33	2703	3574	3988	4712	5927	8539	11550	16751	17231	17753	18016	18293	18738	19003	19280	19558
38	2708	3580	4003	4717	5933	8544	11553	16758	17236	17756	18020	18298	18742	19007	19284	19562
80	2714	3585	4008	4723	5938	8549	11564	16764	17242	17758	18024	18302	18746	19010	19288	19566
83	2719	3590	4513	4728	5943	8553	11570	16770	17247	17762	18028	18306	18750	19014	19292	19570
118	2724	3595	4615	4733	5948	8559	11577	16777	17251	17765	18032	18315	18752	19019	19296	19574
124	2729	3600	4024	4738	5952	8564	11583	16783	17256	17768	18036	18314	18756	19022	19300	19578
130	2734	3603	4029	4744	5957	8569	11590	16789	17261	17771	18041	18318	18759	19026	19304	19582
150	2739	3608	4034	4748	5963	8578	11596	16842	17267	17775	18045	18321	18763	19030	19309	19586
156	2745	3618	4039	5087	5968	8583	11606	16848	17273	17778	18048	18325	18767	19034	19312	19590
165	2750	3615	4044	5093	5973	8596	11613	16856	17278	17781	18053	18328	18771	19038	19318	19594
339	2754	3624	4050	5111	5978	8594	11619	16862	17284	17784	18057	18332	18776	19042	19320	19598
473	2759	3629	4051	5118	5984	8599	11625	16868	17289	17787	18061	18336	18780	19046	19324	19603
640	2764	3634	4056	5142	5994	8604	11632	16875	17294	17790	18065	18340	18783	19050	19328	19608
646	2769	3640	4061	5147	6007	8609	12196	16881	17300	17793	18068	18343	18788	19054	19332	19612
674	2775	3645	4066	5153	6012	8713	12202	16887	17303	17796	18072	18347	18791	19058	19336	19617
770	2780	3650	4081	5158	6017	8719	12208	16893	17307	17799	18075	18350	18796	19062	19340	19621
775	2785	3656	4086	5177	6022	8724	12214	16943	17313	17804	18079	18351	18798	19066	19344	19625
796	2785	3661	4091	5188	6028	8729	12220	16948	17318	17809	18082	18355	18803	19070	19348	19629
873	2795	3666	4156	5193	6333	8735	12494	16951	17323	17813	18087	18359	18808	19074	19351	19633
878	2805	3671	4163	5196	6506	8740	12501	16957	17355	17819	18090	18363	18811	19078	19355	19637
883	2810	3676	4173	5202	6515	8745	12507	16963	17361	17825	18095	18366	18814	19082	19359	19641
888	2815	3681	4196	5207	6620	8750	12514	16969	17367	17831	18098	18370	18817	19086	19363	19645
903	2820	3687	4243	5212	6738	8783	12628	16975	17373	17837	18101	18374	18822	19090	19367	19649
920	2825	3692	4248	5233	6749	8788	12728	16981	17378	17842	18105	18378	18825	19094	19371	19653
967	2830	3697	4284	5238	6753	9828	12844	16987	17381	17847	19109	18381	18829	19098	19375	19657
1004	2835	3705	4343	5345	6758	9833	12912	16993	17385	17852	18112	18385	18832	19102	19379	19661
1009	2841	3710	4348	5368	6890	9838	12918	17000	17388	17855	18118	18389	18837	19106	19384	19665
1015	2846	3715	4392	5373	7260	9844	12925	17005	17391	17858	18119	18393	18840	19110	19388	19669
1023	2851	3720	4397	5378	7265	9849	12931	17511	17394	17861	18124	18396	18844	19114	19392	19673
1032	2856	3725	4413	5384	7280	9854	12937	17010	17399	17864	18127	18400	18847	19118	19396	19677
1148	2861	3731	4418	5389	7265	9860	12944	17021	17404	17867	18132	18403	18852	19122	19400	19681
1201	2866	3736	4424	5394	7330	9865	12950	17026	17409	17870	18137	18407	18856	19126	19404	19685
1241	2871	3741	4429	5399	7352	9977	12951	17031	17415	17873	18140	18410	18865	19130	19408	19689
1246	2877	3746	4434	5402	7396	9986	12958	17037	17420	17877	18144	18414	18864	19134	19412	19693
1282	2882	3758	4439	5408	7477	9991	12964	17042	17426	17880	18147	18606	18868	19138	19416	19697
1376	2887	3763	4444	5413	7502	10002	12978	17047	17452	17883	18151	18608	18871	19142	19420	19701
1543	2892	3768	4450	5657	7507	10007	12976	17053	17456	17886	18156	18613	18875	19146	19424	19705
1564	2897	3774	4452	5662	7518	10047	12983	17058	17460	17889	18159	18619	18878	19150	19428	19709
1569	2901	3820	4457	5668	7531	10053	12989	17064	17463	17892	18164	18622	18881	19154	19432	19713
1759	2906	3825	4479	5573	7690	10059	12995	17069	17466	17895	18168	18626	18884	19158	19436	19717
2532	2911	3830	4481	5578	7696	15134	13002	17074	17469	17898	18171	18629	18887	19162	19440	19725
2537	2917	3836	4486	5583	7741	10847	13008	17081	17472	17902	18174	18633	18891	19166	19444	19729
2542	2922	3841	4491	5589	7773	10854	13014	17086	17475	17907	18178	18637	18895	19170	19448	19733
2547	2927	3846	4497	5594	7778	11117	13037	17091	17478	17912	18182	18641	18899	19174	19452	19737
2576	2932	3854	4505	5599	7784	11123	13074	17097	17481	17918	18186	18644	18902	19178	19456	19751
2581	2937	3859	4510	5603	7788	11129	13081	17102	17485	17924	18189	18647	18905	19182	19460	19755
2586	2943	3865	4525	5747	7794	11174	13182	17107	17488	17930	18193	18656	18909	19186	19464	19759
2591	2948	3871	4530	5783	7809	11250	13218	17112	17491	17939	18196	18658	18912	19190	19468	19763
2597	2952	3876	4535	5789	7914	11252	14229	17117	17495	17942	18200	18662	18917	19194	19472	19767
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2607	2962	3886	4546	5799	7925	11286	14249	17128	17502	17952	18205	18669	18925	19202	19480	19775
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2633	3455	3911	4573	5826	8083	11350	14276	17154	17639	17967	18222	18687	18944	19223	19500	19805
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2648	3471	3927	4588	5842	846	11406	15025	17170	17657	17976	18233	18698	18958	19236	19512	19919
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2657	3482	3940	4599	5855	8472	11418	15364	17181	17705	17983	18241	18704	18964	19244	19520	19976
2663	3487	3945	4601	5860	8475	11479	16450	17186	17715	17986	18245	18708	18967	19248	19524	19981
2668	3493	3952	4607	5866	8483	11482	16643	17192	17718	17989	18249	18712	18971	19252	19528	19987
2673	3498	3957	4612	5874	8488	11512	16716	17197	17721	17992	18253	18715	18975	19256	19532	19993

On and after the Redemption Date the Debentures designated above will become due and payable upon presentation and surrender thereof, with all coupons maturing subsequent to April 1, 1986, attached, either, at the option of the holder, at the office of Chemical Bank, Corporate Trust Tellers, 55 Water Street, New York, New York 10041 or at the main office of Chemical Bank, in London and Brussels, or at the main office of Algemene Bank A.G. in Amsterdam, or at the main office of Deutsche Bank A.G. in Frankfurt or at the main office of Banca Commerciale Italiana in Milan, or at the main office of Credit Lyonnais in Paris, or at the main office of Kredietbank S.A. Luxembourgeoise in Luxembourg, or at the office of Swiss Bank Corporation in Switzerland.

Interest on the Debentures so designated for redemption shall cease to accrue on and after the Redemption Date. All coupons maturing after said date which appertain to such Debentures shall be void. Coupons maturing on April 1, 1986, should be detached and surrendered for payment in the usual manner.

BURLINGTON INDUSTRIES, INC.
By: Chemical Bank, *Trustee*

DATED: February 21, 1986

THE GLENLIVET — DENIED BY THE KING

"Glenlivet Distillery? What Glenlivet Distillery?"

In the early 1800's, denying the existence of distilleries was o national Scottish pastime.

Oh, they were there, oll right.

But most were illegal. You see, savage toxes imposed by the Philistines of Westminster mode distilling the notional beveroge well nigh impossible.

Tax evasion became the only honouroble course. The canny Highlonders took to the hills ond the glens.

A whole industry started to flourish underground.

And excisemen, or gougers, marched North, with orders to stomp it out.

The Artful Dodgers.

But it proved o hopeless tosk.

All meosures to deter the distillers were met with ridicule.

Even o £5 reword for the discovery of o distilling pipe (or copper "worm") did nothing to halt the flow of whisky. In foct, it was o boon for the whisky makers.

When o "worm" was worn out, the distiller would miraculously "find" it, hond it over to the outhorities, claim his reword ond promptly purchase o new one!

Such was the Highlanders' contempt for the low that it was not even considered o disgrace to be imprisoned for illicit distilling.

Indeed, in Dingwall Gaol offenders were treoted in the mildest possible woy, even ollowed out on Sundays ond special occasions and "honourobly returned."

One prisoner even opproached the governor with the remarkable proposition thot they set up o still together in the gool!

But out of this lowlessness come greotness. The illicit drom was magnificent.

The Reverend Thomas Guthrie wos o boy in 1818 ond he recalled thot "everybody, with few exceptions, dronk whot was in reality illicit whisky — far superior to thot mode under the eye of the Excise — lords, loirds, members of Porliament and ministers of the gospel ond everybody else."

And the finest drom of them all was The Glenlivet.

The Sassenach Connection.

The Glenlivet Distillery wos storted by one John Gow. Alias Smith.

Bit of a mystery, John Gow. Indeed he hod very little option.

Having fought and lost with Bonnie Prince Chorlie, he fled with his family in 1746, hiding deep in the countryside.

And to baffle the English soldiers, he chonged his nome from the goelic Gow to Smith.

This is why such o Sassenoch nome as Smith oppeors on the bottle of Scotlond's most veneroted whisky.

By good fortune, John Smith, ex-Gow, settled in the precise spot where the woter ond the peot were the best in all Scotlond for moking malt whisky. This mysterious mon hod stumbled upon o mysterious well. Josie's Well.

It's the woter from this well thot makes The Glenlivet mogical. We con't tell you why. There is no explonotion. And there is no other well thot performs the same mogic.

By the time John Smith's grondson George inherited the still in 1817, the fome of The Glenlivet hod spreod for ond wide.

"It is worth all the wines of Fronce" opined the Doctor in Sir Walter Scott's St. Ronon's Well, "ond more cordial to the system besides."

His Majesty's Pleasure.

The Glenlivet thot George Smith mode even flowed in the corridors of power.

In 1822 King George IV poid on official visit to Edinburgh and Elizabeth Gront, an MP's daughter, wrote obout it in her memoirs: "One incident connected with this time mode me very cross. Lord Conynghom, the Chomberloin, wos looking everywhere for the pure Glenlivet whisky: the King drank nothing else.

My fother sent word to me — I was the cellorer — to empty my pet bin, where whisky wos long in the wood, mild as milk ond the true contraband goût in it."

Such o princely potion couldn't stoy illegol much longer. It was unthinkoble thot the King should ever have to deny that his greotest pleasure didn't octually exist!

Luckily, back at the House of Lords, commonsense was obout to breok out, under the influence of George Smith's londlord, the Duke of Richmond ond Gordon.

In 1823, their Lordships passed an Act which mode distilling a commercial proposition.

And the first man to take out a licence under it was our own George Smith.

Ploin soiling from then on you'd think. Nothing of the sort.

The neighbour's burning desire.

Although George hod decided to go legal, his neighbours would hove none of it. They regorded him as a troitor.

"The outlook was on ugly one," wrote George. "I was worned by my civil neighbours thot they meont to burn the new distillery to the ground ond me in the heort of it."

Such threots in the wild remoteness of the Highlonds were not idle. So for his protection, George was presented with o pair of hair trigger pistols, worth ten guineas, o gift from his friend the Laird of Aberlour. The pistols (which still exist today) were "never out of my belt for yeors.

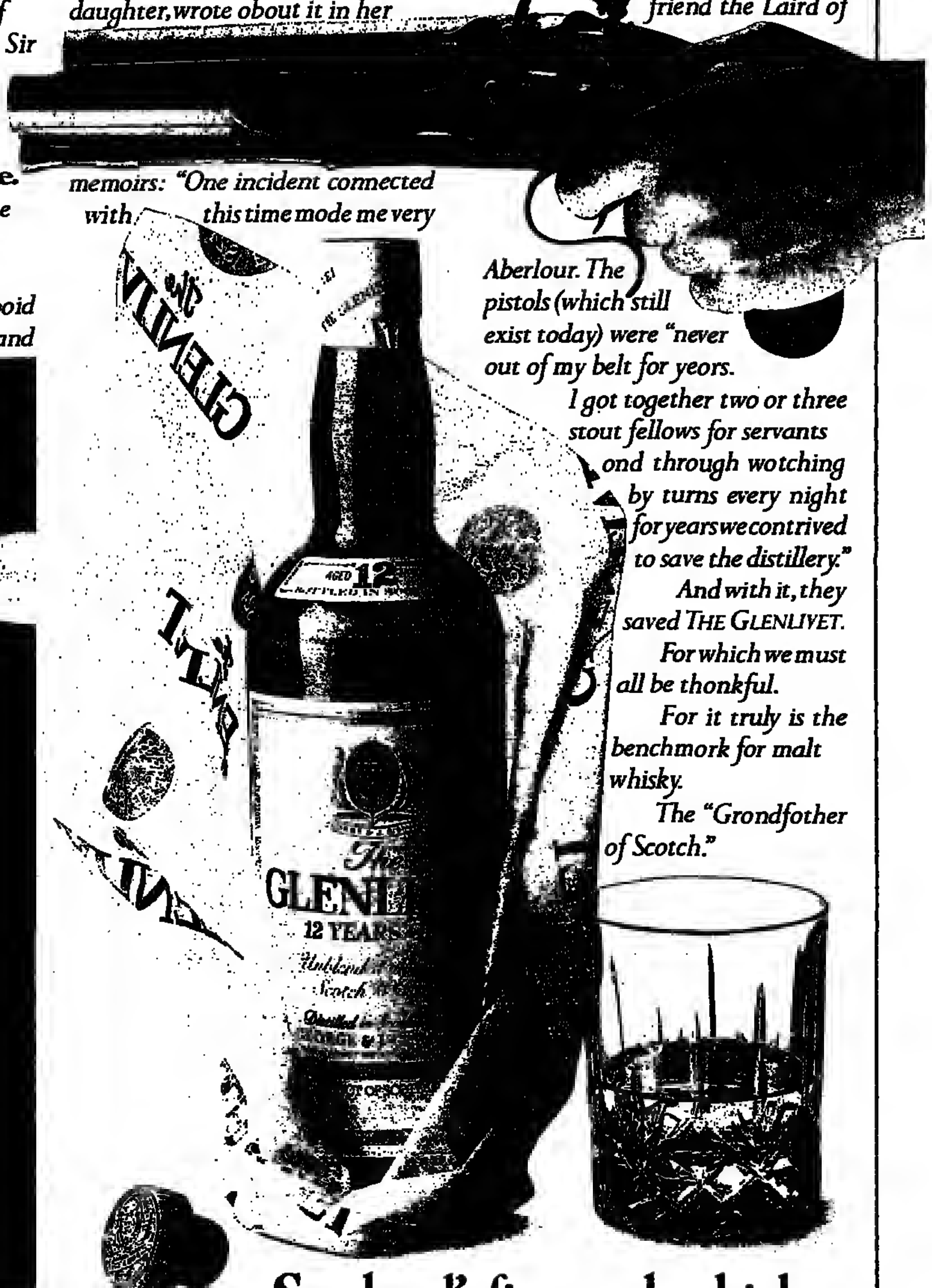
I got together two or three stout fellows for servants ond through wotching by turns every night for years we contrived to save the distillery."

And with it, they saved The Glenlivet.

For which we must all be thonkful.

For it truly is the benchmork for malt whisky.

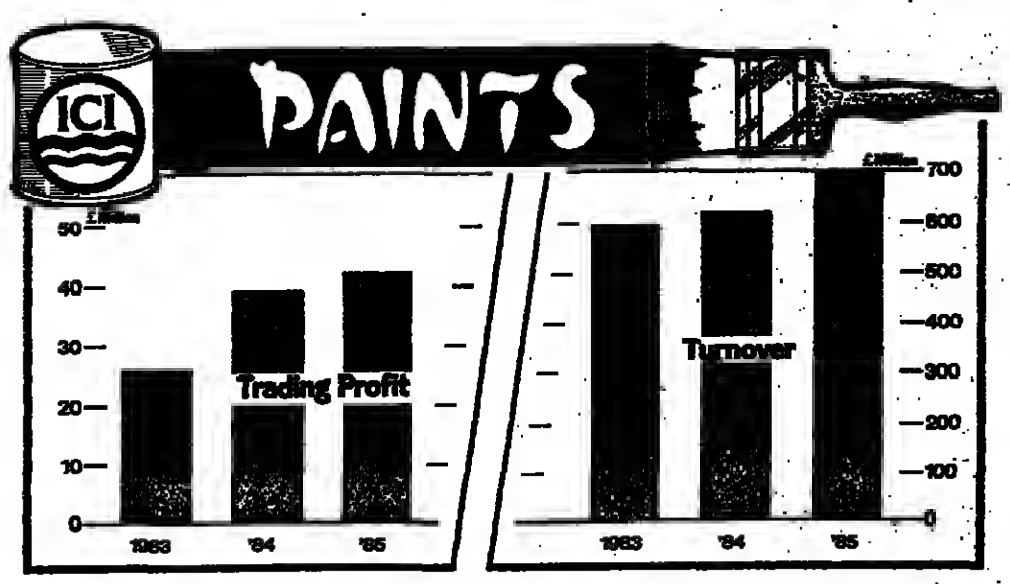
The "Grondfother of Scotch."



THE GLENLIVET AND GLENLIVET ARE REGISTERED TRADEMARKS

Scotland's first malt whisky.

TECHNOLOGY



ICI breathes fresh air into the motor industry

New paint from Britain's chemical giant looks set to clean up in one of the world's most important markets, reports **Ian Hamilton-Fazey**

A GROWING worldwide preference for metallic finishes ou cars has led ICI, Britain's leading chemical company, to a uew paint technology that looks like being a breakthrough in pollution control. The technology has today won a pollution obatement award from the Royal Society of Arts.

ICI revealed last year that it had solved the major problems that have dogged development of waterbased paints for the motor industry, hut was unwilling to say mueb more because of the need for commercial confideutiality. It called its paint Aqnabase.

Its main European competitors, Hoechst and BASF in West Germany and Akzo in the Netherlands, are also working on using water instead of organie slovents in car paints. But ICI estimates that it had an 18-month lead when it started talking to the motor industry last year.

It has now licensed the technology to the US's largest paiutmakers, PPG Industries and Dupont. Volvo, VAG, BMW and General Motors are condncting rigorous field trials. Later this year, ICI's Canadian company, CIL, will go into full productiou of the new vehiele paint ranges. In Germany, ICI will use its subsidiary, Wiederhold.

"We think 1987 will be the critical year for developing the market," says Mr Zafarios Vachlas, project manager of ICI's world group on automotive research. Helping sales will be ever-tougher legislatiou in many countries es regords what comes out of carmakers' smokestacks.

The popularity of metallie finisbes has been a key factor. Half of Europe's uew cars are painted in metallics and 70 per ceot of those io the US. To aehieve the effect, very thin paints bave to be used—84 per eent of tbe paint is solveut.

The low eonteut of pigment allows the aluminium partieles that provide the metallie sheen to align themselves evenly and flat. Thicker paint prevents this, crowding the aluminium aud making particles stand on end to prodnce potchy colours that may change shade as you walk round e car or view it from a different angle

The high content of solvent, however, creates a major pollution problem. About one-third of all volatile compounds discharged into the etmospbere are from industrial solvents and balf of these come from the use of metallic paiuts iu the car industry.

While Britain has uo plans to stop this—most of its pollution is blown elsewhere—legislation will soou force ehange on carmakers in Scandinavia, Germany, Canada and the US, Using non-polluting water as the solvent is the answer.

The first company in with o viable system stands to seize the lion's share of one of the world's most important markets. It is worth np to £25 per car, and Europe and the US make about 20m cars between them each year. In addition, American cars usa more paint because they ere bigger.

Formidable chemical problems had to be overcome bowaver. The main one was that the interlinking uetwork of long molecules that comprise conventional solvents holds the pigment in plaee as the solvents dry off.

Woter molecules ere short, so everything is likely to run off and eud up on the paintshop floor. Even if this can he overcome, another difficulty is that water dries off differently from day to day according to the weathar—it depends ou the relative bumidity.

ICI's chemists bave been working ou the problem since 1976 and nearly geve up twice. Although the details are secret, their system works hy encapsulating pigment and particles within millions of microscopie sacs of water held in shape by what is known as microgel technology.

The properties created by this cause viscosity to change according to what is being done to the paint. The viscosity drops as it is pumped into a spray gun but the moment the atomised paint hits a surface, the viscosity increases, so that it then bebaves like any conventional solvent-borne paint.

Moreover, the gel adjusts itself to the relative humidity so that the rate of drying is the same bowever damp the weather.

The paint causes two problems. First, it takes three minutes to dry while passing through a 60 deg C tunnel—compared with one minute at 90 deg C for a conventional paint. This means extending paint shops so that car plants' line speeds will not be affected. Work is well advanced however in balving the drying time of the uew paint.

The second problem is that most car industry paint shops use mild steel pipework. Waterborne paint requires stainless steel to prevent corrosion and contamination.

Withont the compulsion of impending anti-pollution laws, it is unlikely that conservative carmakers would have been willing to make the investments needed. But legislatiou has been inevitable as metallie finishes have proved to be much more than a passing fashion.

Indeed, ICI exploited the increasing demand for cars with better and wider ranges of appearance to sell the technology in the US market, where the company has too poor e market share to make profitable inroads.

For instance, it showed General Motors what finishes could be achieved—many are better than conventional ones—thus persuading the carmaker to "back-sell" the licences for Aquabase to its main paint suppliers, Dupont and PPG. This was crucial now that Inmont, another US uaint giant, is owned by ICI's German competitor BASF, which bought the company last year from United Technologies.

Uses for temporary water colours come as a surprise

SNOW and freezing fog produces e remarkable reaction amoug the crews of Britain's battle tanks. They set to work with brushes, covering the conventional green and black camouflage paint with white emulsion.

As long as the enemy is not using ultraviolet viewers — throogb which the emulsion shows up as grey—the white paint performs its task. The problem comes if there is a sudden thaw or if the tanks trundle out of the snow zone: getting the paint off is a long, messy job.

This is one reason why the army is enthusiastic obout ICI's new Tempro range of coatings. The paint is just as easy to apply as the emulsion but it comes off in minutes if a mildly alkaline solution is poured over it. It also looks white in ultravielet light.

Since it can be ordered in any colour, o rapid chameleon-like capability has been created for any movahle piece of military hardware.

The discovery has taken everyone, includiug ICI's management, by surprise because the Tempro range of temporary coatings was not conceived for military use ot all, but for protecting new cars between factory and customer.

Lateral thinking has led to the discovery of many other new markets too. It is o case of technology accidentally creating customers, rather than market demand leading to new products.

Traditionally, uew vehicles have been protected with wax. This causes emission of solvents during applicatiou and creates a lot of mess and undesirable effluent when the dealer cleans off the wax using more organic solveuts.

ICI set out to develop a "temporary" paint, water-based to solve the solvent problem. By ensuring that mild alkali would dissolve the chemical bonds in the resin system that beld the paint together, the company's scientists made it possible to remove Tempro by running it through an appropriately modified car wash.

This was the market for which Tempro was developed.

A year ago, uo one was thinking in other directions. Then Dr Jeremy Lane, the ICI chemist in charge of Tempro, was asked if he could modify it to produce a removable paint that would mark the route of the London marathon.

He succeeded in e few weeks, the efficacy of the product being proved by a street cleaning machine, which followed the stragglers in the race, washing the dotted line away as it went. Suddenly ICI discovered itself in the temporary road markings market.

The road markings market is dominated hy Berger, the British arm of Germany's Hoechst group. Because traditional temporary markings are expensive they tend to be used on motorways and major roads only during repairs. As can be seen on many motorways, they leave traces wheu removed.

Tempro is relatively cheap to buy, use end remove, so Dr Lane expects to see the market expand.

Other new markets are also emerging. Hancock Metal Spinners, of Keut, is using it to protect the Chinese woks it makes. Beloit Walmsley, of Bury, makes steel rollers for papermakers and is now using Tempro to safeguard its exports against transit damage.

Corrosiou resistance is also making it useful for metal fabricators who beve to store parts or compoueuts during manufacturing, eliminating eonventional and messy techniqnes such as grease packing.

Yet another use has beeu found in the car industry itself—the spotting of "dings and dents" in bodies and panels. These minor imperfections are ofteu diffieult to see until the metal has beeu painted. Failure rates may he as high as 20 per eent of finished bodies, which then have to be stripped for the dings and dents to be tapped out, after which painting takes place again.

Dr Lane and his team of four ehemists have developed o hlack, glossy, highlighting fluid out of Tempro whieb make imperfections stand ont. The coating is washed off in the pretreatment alkaline wash whieb the panels and hodies have to go through anyway.

Not surprisingly, Ford at Dagenham, Austin Rover at Longbridge, Jaguar and Aston Martin are all now using Tempro. As Jim Honan, general manager of ICI's motor markets puts it: "We are sure that the rest will follow."

A major source of revenue

Video & Film

By JOHN CHITTOCK

IF ANYONE ever doubted the claim that television now dominates our lives, they will find little comfort from a recent statistic that more UK bomes have television sets than indoor lavatories. Videocassette recorder penetration may never topple the British loo, nor reach the 98 per cent level of TV sets, but evidence is emerging that the ultimate VCR ceiling could well be as high as 85 per cent of all households.

A recent US report by Wilkofsky Grueu Associates reckons that this figure will be reached in American homes by 1995. Earlier figures from JVC support such high expectations.

Meanwhile, even though most video populations are still below 40 per ceut (Britain a notable exception at 45 per ceut) bome video is emerging as a prime market for movies. In the UK, for example, the retail valne of pre-recorded videocassette sales and rentals in 1985 was nearly £400m—against a probable box office gross in cinemas of ouly £140m.

Even in the US, where the cinema thrives and bome video has been slower than elsewbere in taking off, revenue from the video software market in 1985 was almost equal to that from North American theatrical releases — $1.5bu ogainst $1.52bn.

For the film producers, video has become a priority market. Gruen Associates forecast that by 1995 the annual retail valne of video software will reach $20bn—by then equal to the revenue of US network TV advertising and three times that of cinema receipts.

The cinema industry could be very disturbed by such trends, although there is still optimism to be found in Wardour Street and Hollywood. For example, Paramount research claims that 71 per cent of consumers who bought a pre-recorded videocassette of e film had already seen it at the cinema.

Whichever views prevail about the impact of video on the cinema (some are contradictory), for the producers and the distributors the bald fact is that video is now a major source of revenue for new productions. Variety magazine estimates that at last week's American Film Market—a major annual event beld in Hollywood—the average film being offered would probably cover 20 to 30 per cent of its budget from video rights deals, and in some cases would recover considerably more. Which causes another dilemma for the cinema industry—the problem of the so-called "video window."

This is o reference to the gap—or delay—betweeu first release in the cinema and subsequent availability eu videocassettes. The cinema industry still regards itself as the primary market for feature films and believes that video release — like broadcast TV screenings—should be generally allowed only some time after cinema release.

In the case of television in the UK, this delay is normally as long as three years—hot with video release it may be down to only a few months, and can even happen simultaneously with the first einema screening.

The copyright owners argue that the size of the video window is a matter for commercial judgment, and in Britain at least they are opposed to e recent European Commission suggestion for member states to introduce a maudatory delay (as now exists in France).

The cinema fought this battle before with televisiou in the 1950s, even establishing the Film Industry Defence Organisatiou (FIDO), which bought np the TV rights of feature films to prevent broadcasters from screening them. Today, the einema exhibitors have been generally successful in operating a three year ban—althougb there have been occasional skirmishes when e distributor has ignored the time lag.

A new angle to the problem is arising in Britain, however, as television broadcasters begin to provide an important source of pre-prodnction finance for cinema films. Channel Four has been paying, for example, sums in the region of £200,000 to £300,000 for original low budget films and also investing in new productions—whicb for indepeudent producers is an important life raft from an unexpected directiou.

Understandably, however, Channel Four believes it should be free to use its commercial judgment as to when films in whicb it has invested should become available for television—for example when their earning capacity in cinema release has falleu to e level where the exclusion of other revenue sources becomes unreasonable.

The Cinema Exhibitors Association is worried about sueh developments, especially as they believe the public is conditioned into regarding television and video as second-run markets which follow mueh later. Otherwise, why bother to go to the cinema to see newly-released films?

If the arrival of DBS (direct hroadcasting satellites) is a success—almost certainly with scrambled signals so that ouly paying customers can view its programmes—a further attack on the einema's prime merket positiou is inevitable.

The disintegration of traditional movie distribntion will be complete, inclnding maybe the luxury of free feature films on TV for an annual licence fee of only £58.

Inevitably, public service broadcast television will become a tertiary market—screening only the unsaleable feature films or those which have exhausted themselves in video release, DBS and the cinema.

What Hanson preaches

"We want our shareholders to sleep soundly at night."

"Caution guides us every step of the way."

Hanson Trust advertisement 4.2.86.

What Hanson practises

In January 1986, Hanson Trust bought 8·8 million Westland shares. No one knows how much Hanson paid but it was reported to be in excess of 109p. Mr Martin Taylor, a Director of Hanson Trust, was quoted as saying: "We think we've made a good investment."

Adjusting for the rights issue, the equivalent value on February 28th for each Westland share bought by Hanson was 86p.

Famous brands doing famously.

IMPERIAL GROUP

The directors of Imperial Group plc (including those who have delegated detailed supervision of this advertisement) have taken all reasonable care to ensure that the facts stated and opinions expressed are fair and accurate. The directors accepted responsibility accordingly.

Working at home

Price to be paid for competitive advantage

William Dawkins on a software consultancy staffed by part-timers

THE office-free future is a dream that has tempted many companies, both large and small.

The ides of a network of employees based at bome and communicating via computer terminals, or even just telephone, evokes in many people's minds a Utopian vision of a more flexible and civilised working life. Only a bandful of British companies—the largest examples include Rank Xerox aod ICL — have actually attempted to put the idea into practice. But, none of them bas been so ambitious as F International, a Home Counties software consultancy, wbich has used a minimum of electronic gadgetry ln the process.

Founded 24 years ago by a group of technologically skilled women whose family ties made it impossible for them to work standard office hours, F International provides some of the most telling evidence so far of tha pcoblems and advantages that flow from this appcoacb.

The cost flexibility that comes fcom having a workforce that consists primarily of part-time freelance staff — working mothers — has worked to F International's advantage. It can respond to market changes without baving to hire or fire large numbers, and thanks to its small central office overbeads tbe group has — according to one big customer — a significant price advantage over its more conventionally managed competitors.

But F Internatiooal has found to its cost that while skilled technicians can make good project managers, they do not always perform so well in bcoader executive roles. Moreover, it has not always been easy communicating e sense of group strategy to e far flung workforce which generally never visits tbe twin head offices in Chesbam and Berkhamsted.

The company's backbone consists of a pool of 817 freelance (hence the F) programmers, supplemented by a core of 120 full-time and 140 part-time managerial and administrative staff; this high ratio of management to workers underlines the degree of organisation required to run such a decentralised group. "The office is no more then a bit of glue that holds us together," says Steve Shirley, F International's charismatic 52-year-old founder.

While the group has won world occlaim for pioneering a way of barnessing female programmlng skills that would otherwise bave been wasted, F International's profits performance has been uninspiring since its last appearance on this page on August 17 1981.

Revenues have grown alightly faster than the software industry as a wbole, up from £4.3m in the 12 months to April

1982 to £7.6m laat year. But profits slipped badly from £450,000 in 1981-82 to £124,000 in the following year, only partially recovering to £340,000 in 1984-85.

The first big hitcb came wben six full-time staff left in 1982 to form their own business, taking F International customers with them, a common enougb hazard in the software industry.

More serious was an unfortunate foray into the US, where an attempt to set up an F Internetional look-alike was abandoned 12 months ago after notching up nearly £290,000 of losses in three years. "Marketing was the problem," Shirley frankly admits. "You can't really take a British organisation, clone it in the US and expect it to work. We were going for a generalist service, bnt wbat they wanted was a niche marketing approach. And my record in choosing the right people was very poor — which is unforgiveable really, because that is the area in which I am usually atrong."

Shirley'e self-critical frankness bas, however helped her to move quickly to make changes where needed.

This has been achieved partly by recruiting senior executives to specialist positions — rather tban the group's old policy of pcomoting the best technicians from within — and partly through shifting some power away from F International's nine regional centres, which until recently were run almost as lndependent small businesses.

The change began two and a balf years ago, when Shirley stepped down from the chairmanship to become group managing director, asking Leighton Davies, who bad just retired as deputy managing director of Racal Electronics, to become non-executive chairman.

"Steve only thinks in financial terms grudgingly," says Davies, 57, who promptly set out with Shirley to fill gaps in management, ranging from finance to marketing. Adds Shirley: "We needed more co-ordinated control. As the business gets more complicated, quite simple ways of doing things become lneffcient if they are not directed properly."

One example is the way F International's sales organisation bas changed. Each region — typically around 100 homeworkers linked to a small office —used to have lts own independent sales manager until last year, when Shirley doubled the size of the sales force to 18 and bcought control of that function back to bead office. "Although small is beautiful from the point of view of working in a group, from the point of vlew of attacking the market, you have to look at it nationally," she explains.

One of the first of the new executive arrivals was Cindy Morelli, 38, a former Rand Information System prodnction manager who took over the remaining loss-making overseas subsidiaries in Denmark and the Netherlands last summer.

Until then, says Shirley, the overseas arm "was very much a spare time activity." Last year, it brought in less than a tenth of group revennes on which it made a £295,000 loss.

Last summer also saw the arrival of Hilary Cropper, 44, who used to run ICL's home programming service and now beads F International's UK activities, thereby freeing Shirley from mucb of the burden of day-to-day management to concentrate more on strategic matters. Shirley feels it le important, for instance, for the group to develop more expertise in specialist applications.

F International is in en unusual position in that it bas to market itself to its own staff with almost as much care as it markets itself to customers. Cropper explains: "Because our workforce are free agents, we bave to market inwardly as well as outwardlly. You can't get away from wbat the workforce is capable of doing or wants to do."

Meanwhile, advances in lnformation technology have allowed the gronp to tackle another communications area where it bas a disadvantage agalnst conventional businesses. Because only two staff can talk to eacb other at once when comunicating by telaphone — F International's bill is around £125,000 annually —information tends to percolate through the business more slowly than in a conventional organisation.

Now F International is running a pilot computer network for 22 staff in an ettempt to get round the pcoblem. If the pilot scheme is successful, Shirley plans to install 500 terminals within the next two years, thereby building one of the largest networks of its type in the world.

The pilot project—at £2,500 from the £117,000 which F International raised from a share offering to staff last year. It followed e £350,000-worth of Shirley's shares with two venture capital groups, leaving ber with 60 per cent of the equity.

Surprisingly, the staff took up less than balf of thsir share allocation, perhaps another sign of the remoteness from group affairs that can be felt by bome-workers. Shirley, who is deeply committed to employee ownerahip, is keen to let them bove another bite before the group goes public, as it plans to do in two to three years' time.

Whatever the practical challenges posed by a virtually office-free business, F International has proved that it can perform a socially desirable task by pcoviding work for technically skiled women wbo would otherwise be jobless, while at the same time gaining a competitive advantage over conventional organisations.

As for the hard commercial advantages, Cropper points out: "Fixed costs for other people are veriable costs for us." Homeworking also prodnces productivity benefits, argues Suzette Harold, one of the company's trustees and one of the few staff to bave left the group and subsequently return.

She reckons that a top commercial software writer in a conventional office environment is at best fully productive for five hours out of an eigbt-hour working day, all of which have to he paid for hy the employer.

"For somebody sitting at home working part-time at a terminal, every hour worked is productive," says Harold. "It's just not physically possible to achieve that in an office."

Steve Shirley: "We needed more co-ordinated control"

UK tax system

Why radical reform is needed

William Dawkins on a report calling for less discrimination

THE British Government's attempts to promota small businesses will have little further effect unless they are backed up by a drastic simplification of the tax system.

That is the main conclusions of a radical report* published this week by Graham Bannock, small business consultant and a vice president of the leading lobby group, the Union of Independent Companies.

The Government, be argues, should stop discriminating against apparently "undesirable" small businesses like property developers (as it did wben property companies were flung out of the Business Expansion Scheme last year). Instead, it should consider wholesale corrections to the deficiencies in the tax and regulatory systems.

"If capital gains tax and corporetion tax were abolisbed and all eavings, inclnding savings invested in tha owners' business, were exempted from tax nntil spent, we should hsve a vastly simpler and more equitable tax system with lower compliance costs, lower administration costs—one whieb discriminated against small businesses to a much lesser extent," claims Bannock.

The replacement would be an expenditure-based tax, rather like that pcoposed by the Mesde Committee on tax reform in 1978, though Bannock concedes that it would be impractical to make such a big change all in one go. "A stert could be made by giving all forms of saving equal tax treatment," he suggests.

This would, for instance, permit proprietors to take advantage of BES relief when investing ln their own ventures, a privilegc denied under present rules—to the chagrin of many small businessmen.

Bannock argues thet abolishlng corporation tax would benefit small businesses more than large ones because, in comparison with their big brothers, they tend to be more labour than capital intensive. As a result, they get less benefit fcom capital allowances and pay more tax—and that is quite apart from the Netional Insurance burden imposed on labour intensive businesses.

In addition, he says, the sheer complexity of the present tax system discriminates against small businesses because they cannot afford the same quality of advice ae large corporations. That is not just because they are poor, he points out. Small businesses are acting as tax collectors for the Government en VAT, PAYE and National Insurance "without the benefits of the economies of scale which large firms enjoy in these activities."

Building from the bottom up: Tax Reform and Small Business, Graham Bannock, in Catalyst, A Journal of Policy Debate, Spring 1986, £4 from Catalyst Publishing, 4 Hobart Place, London SW1W 0HY. Tel. 01-235 0626.

In brief...

MIDDLESEX Polytechnic Business School is to hold two courses for people about to start up in business.

A one-week full-time course is due to start on March 21, while the part-time equivalent opens on March 15, running through with eight evening sessions to the end of April. Subjects include: how to develop a business idea, market research, marketing, premises, staffing and finance. Both courses are sponsored by the Manpower Services Commission. Details from the Information Centre, Middlesex Polytechnic, 114 Chase Side, London N14 5PN. Tel.

●

IT USED to be thought that anybody who spent all his or her time working under a single contract was always treated as an employee for tax purposes.

Yet a growing number of so-called one contract workers are now enjoying self-employment status and all the tax privileges that go with it. Their security in the face of possible Inland Revenne investigation will be examined at a conference, Tax Planning for the Single Contract Self-Employed, to be held in London on April 15.

Other subjects include the precise legal distinction between self-employed people and employees, and bow these definitions have changed. The venue is the CFS Confercnce Centre, 22-25 Portman Close, W1A 4BE. Tickets cost £195.50 from Oracle Business Information, 21 The Barton, Cobham, Surrey KT11 2NJ. Tel. 01-727 3503.

●

TALKING Shop, the National Association of Shopkeepers' quarterly magazine, is back on the streets after a year's absence caused by publishing difficulties.

The magazine includes practical tips on matters like changes in weights and measures regulations, business rates and tax, as well as details of exhibitions and seminars. It is free to association members, but nonmembers can get a year's subscription by sending £4.50 to Milgate Publishing, 57 Half Moon Lane, London SE24 9JX. Tel: 01-274 5888.

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SCOTTISH Business in the Community and the enterprise agencies in its region are offering a £5,000 first prize in their second annual Award for Business Enterprise competition.

Open to any business in Scotland employing less than 100 people, the competition organisers are looking for examples of innovation and endeavour. Another six prizes of £1,000 each are on offer for achievements in the following categories: innovation, job creation, marketing, exports, most promising business less than a year old and most promising entrepreneur under 25. Details from Ann McNaughton, ScotBIC Award Co-ordinator, Eagle Star House, 25 St Andrew Square, Edinburgh EH2 1AF.

●

THE Business Analyst, a folder of questionnaires and guidance sheets, is designed to help small business managers quickly identify problems before they get too large.

This self-assessment kit includes 41 sheets of questions which allow managers to audit their own performance in subjects ranging through pricing to retail marketing, public relations and cash control. They are designed as an aid to identifying risk areas and setting goals for action to correct them. The kit costs £45 from McGrawHill Book Co (UK), Shoppenhangers Road, Maidenhead, Berkshire SL6 2QL. Tel: 062823431.

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CHINA

The spread of corruption

By Robert Thomson in Peking

EMPLOYING the motto "kill one to teach 100", the Chinese government has turned to the death penalty—generally e bullet in the back of the head—in its intensified campaign to eradicate corruption.

The spread of corruption has been a bitter disappointment for the pragmatic Chinese leeders. They have relaxed central financial controls and given more decision-making power to local officials only to see some turn the reforms to their own edvantage and line their own pockets.

The Chinese leadership bas cooceded that such depravity in bigh places—including fraud, illegal currency speculation, bribery, tax evasion, and several other deedly economic sins—has "seriously damaged the prestige of the party and the government among the people."

"Six glaring malpractices" have been given much publicity by the Chinese press: rushing to buy foreign cars, sending unnecessary delegations on business trips, visiting tourist attractions at public expense, throwing lavish banquets, demanding rewards for routine services, and giving relatives an illegal helping hand In business ventures.

Corruption has hit the economic reforms on three fronts: it has tarnished the image of those policies, It bas provided political ammunition for leading conservatives who think the reforms have gone too fer too soon, and it bas led to economie losses measured in billions of dollars.

On most days the Chinese medie has carried stories of corruption end economic crime. At a mass trial of 30 offenders recently, two men were sentenced to death in Shanghai for beving illegally sold industriel materials. Two polioe officers and a customs official were given prison terms ranging from five to seven years for taking bribes and illegal business dealings. The saturation media coverage, has elevated the status of corruption, highlighted its pervasiveness, and linked corruption with reform in the minds of the masses.

Corruption has been an inevitable side-effect of liberalising a creaking economic structure long greased by "guanxi" (connections) and "zouhoumen" (the back door). A foreign analyst bere notes that the government has relaxed edministrative controls without baving a large enough force of skilled auditors and accountants to monitor the faster ebb and flow of money. Their absense is an obvious temptation for cadres (officials) with, as the government calls them, "unhealthy tendencies."

Just how many senior cadres are abusing their privileges is difficult to gauge. The Cbinese premier, Zhoa Ziyang, said tbe government can afford to mount a large-scale crackdown because there are few offenders and it will be seen to be clean. But diplomats question the need for en extensive operation if the problem is not widespread.

The government has slready taken back some of the autonomy granted to local officials. If corruption continues to blossom in the openings provided by reform, even tighter central controls are likely, splintering a main plank of tha reform programme.

A few weeks ago, 23 Peking municipal government officials were jailed for various offences, among them bribery and fraud. The most prominent of the imprisoned cadres was e 64-year-old revolutionary veteran, Yin Zhinong, who had been deputy manager of Peking's Capital Iron and Steel works.

Mr Yin allegedly placed orders for 200 tonnes of rolled wire for a rod welding factory in Chongqing. Then, in collusion with a Chongqing cadre, he resold 50 tonnes of the wire for an 8,000 yuan (US$2,500) profit. Mr Yin also made the serious mistake of pleading not guilty. He was given a six-year sentence and stripped of bis party membership.

At street-level, economic crime is bigbly visible end no doubt disconcerting to the lawebiding majority. In e state-run restaurant recently, a diner et an adjoining table saw me pay for a meal with foreign exchange certificates (FEC), e medium which foreigners use while in China and which can be exchanged for hard currencies.

The diner cum black marketeer then bought the FECs from the waitress, a state employee, with Renminbi, the non-convertible Chinese currency.

Politically, the paramount leader, Deng Xiaoping, and his fellow pragmatists have been trying to head off criticism from those who take exception to the pace and content of the reforms. At an unexpected gathering of 8,000 leading government, military and party cadres last month, the pragmatists chose a three-man troubleshooting team, with Dengists at the helm, to oversee tha stepped-up corruption campaign. The triumvirate will give the drive a harder edge in the upper reeches of the party and government, and work to ensure that the crackdown does not swing out of control, and become a political purge, as has been the case in the past. Diplomats here presume the new body will need a senior scalp or two to justify its existence, and will make a public example of them. Western embassies, meanwhile, have warned foreign companies to be absolutely scrupulous in thair dealings, as a firm could be pilloried as a warning to others.

Hu Qili, the senior politburo member who is expected, eventually, to head the Communist Party, claims the present campaign does not have e political flavour and is aimed at "real justice: Those who should be arrested should be arrested, and those who should be killed should be killed." Hu Qili identified cadres' children, who have guanxi as a birthright, as one group which will get what it deserves for wrongdoings, despite the attempts of powerful parents to cover up such crimes. And workers have been told to fear not in reporting on the misbehaviour of their superiors.

Whatever the cost of tax evasion, fraud, speculetion and other forms of prohibited profiteering, China can hardly afford the price. The endless stream of reported ceses in recent months inclndes e Chinese herbal medicine smuggling

Deng Xiaoping

racket in Gnangzhou (Canton) which cost the stata an estimated US$1.3m and a US$300m import fraud in Fujian province, in the south, involving a gang of 22, including a judge.

The "China Auditing Administration," which is understaffed and underskilled, claims to have uncovered waste, fraud and tax evasion valued at US$2.9bn in the past two years. There have been corn and colour television import swindles, and the illegal diversion of scarce resources to the benefit of criminals who have interpreted Den Xiaoping's saying "get rich through labour" in e way not intended by its author.

Of all the cases of corruption and gross mismanagement discovered in the past year, the most significant and most embarrassing has been the Hainan island import racket. Hainan is China's second largest island (if like the Chinese government you include Taiwan). The island was given special power in April 1983 to use foreign currency and sign contracts to the value of US$5m as part of the government's efforts to create a major tourist attraction.

To quote from a report by the Communist Party's central discpline inspection comittee: "From January 1 1984 to March 5 1985 leading cadres of Hainan approved the import of 89,000 automobiles, 2.86m television sets, 252,000 video recorders, and 122,000 motorcycles."

It seems that the Hainan island officials decided to profit from the duty concessions on certain items of technology, by purchasing those desired products for resale on the mainland. It is unclear how many officials were genuinely trying to reise money for the island's development, and bow many pocketed the money.

Officials illegally borrowed US$570m in hard currency to finance their scheme.

The Communist Party head of Hainan, Lie Yu, was stripped of all his posts, and several other senior officials were demoted. Other officials who blatantly used the import racket for personal gain received lengthy jail terms. Liang Bingzhong, a purchasing egent for e public bealth institute, was given a life sentence.

A man who considers himself lucky is Chen Yinghao, the deputy secretary-general of the Hainan Government. Mr Chen is the first official implicated in the scandal to have talked to a foreign journalist. He went to Hong Kong to sign import contracts in late 1984 and was mentioned in dispatches during the inquiry into the island's affairs. "Of course I committed mistakes and had to make e self-criticism," Mr Shen said. "The import rush was just like a hurricane. It came very quickly and disappeared. It's trua that we have committed many mistakes."

HUNGARIAN INDUSTRY

David Buchan visits an ambitious Hungarian bus builder

Ikarus spreads its wings gingerly

IKARUS, Hungary's mass producer of buses and coaches, is a high-flying company now making an exploratory swoop over the British market. It bears the name, though it evidently lacks the rashness, of the young man in the classical fable who flew so near the sun that his wax wings melted.

Last month it signed a $2.5m deal with Kirkby Central for the assembly, in south Yorkshire, of an initial batch of 20 Ikarus coaches and possibly another 50 later. It is now surveying the prospects for a similar deal with UK-based chassis makers in the much larger volume bus business.

Yet, for the moment, Mr Laszlo Kalotai, the commercial director, is sceptical. He is not sure the current technical and commercial configuration of the UK market, still oriented towards double-deckers and confused by the break-up of the National Bus Company, creates much of an opening for Ikarus.

If Ikarus were to enter the UK bus market, it would have to be treated very seriously. The company turns out nearly 14,000 buses a year and exports 80 per cent of them. It is one of the world's largest bus makers, with volume production and price competitiveness that have helped it to sell in some 50 countries around the world. Ikarus boasts that it makes one in every ten buses in the world. Its buses ferry passengers to and from Stockholm airport, carry Kuwaiti pilgrims to Mecca and Greek commuters around Athens, as well as transporting countless city-dwellers in the Soviet bloc.

Ikarus is one of a handful of companies in Comecon countries which have managed to build on the security of their enormous Soviet bloc home market and win a niche at the world level. Others include Skoda of Czechoslovakia (cars); Balkancar of Bulgaria (fork lift trucks); and Tungsram of Hungary (light bulbs).

In building up so large an export business on the tiny home base that Hungary provides, Ikarus has had to be international and flexible at every stage. The bulk of its exports—around 10,000 a year—go to Comecon countries in the form of completed buses and coaches, put together by the 10,500 workers at its four production lines in Hungary.

The company also provides work for another 90,000 Hungarians, Mr Kalotai estimates, such as those at Raba making engines and rear and front axles, at Czepel making gearboxes and power steering and at Taurus making tyres. But some front axles also came from the Soviet Union, driving seats and heating systems from East Germany and windscreen wiper motors from Poland.

Ikarus assembly line: the company produces one in 10 of the world's buses

Flexibility has been particularly important in promoting sales outside Comecon, most of which are in the form of semi knocked down (SKD) kits. To accommodate developing countries' desires to save foreign exchange and to provide local jobs, Ikarus has provided countries like Iraq, Angola and Libya with local assembly facilities, jigs, and engineering services. To accommodate the preference of customers in the industrialised Western world to mount Ikarus bus bodies on local chassis or to incorporate local main components, Ikarus has had to use MAN chassis for its sales to West Germany and Volvo/Scania chassis for sales to Sweden.

The Hungarian company has been selling to the US since 1978. But in order to benefit from lower US tariffs for goods with substantial local content—the Buy American preference—Ikarus supplies shell buses to Crown Corporation of Los Angeles, which puts in seats, engines, gear boxes and windows.

The key to Ikarus' past growth and current economies of scale is clearly its hold on its Comecon backyard. The Soviet Union buys more than 7,000 buses a year and East Germany (the only Comecon member not to make any buses itself) buys around 1,000.

In the early 1960s the Comecon countries decided Hungary would leave car production to its Comecon fellows (a decision Budapest has since come to regret), but would get a compensating lead role in the production of buses. This specialisation agreement gave Hungary the assurance that Moscow, with its enormous transport needs, would buy between 6,000 and 8,000 buses a year.

Moscow, says Mr Kalotai, has proved as good as its word; in the past 10 years the Soviets have not taken fewer than 6,000 buses. In 1985 they bought 7,800, and they will probably buy 7,600 this year. Banking on this, Ikarus tooled up, bought another factory (at Szekesfehervar) and by the late 1960s was producing the rugged, "200" series of buses for Comecon consumption.

The security of this Comecon market is invaluable; Mr Kalotai now knows that the Soviets will be taking about 7,600 buses a year up to 1990, though they will specify only year by year how many city and inter-city buses and coaches they *want*. *Mass production for the* Comecon market gives Ikarus the volume to assure reasonable prices and speedy delivery elsewhere in the world. The disadvantage, Mr Kalotai says, is that if a customer wants "a substantial deviation" from the standard bus "the cost can change quite a lot."

The real puzzle, however, is not the secure base provided by Comecon orders but how, despite this, Ikarus has stayed technically and commercially on its toes. East European companies have often been lulled into comforting sleep by dreaming of endless standardised Soviet orders.

Mr Gergely Salacz is an executive of Mogurt, the foreign trade organisation that markets much of Ikarus' exports. He says Ikarus gets plenty of feedback from Soviet buyers of its buses. Indeed, this is institutionalised in most Soviet republics into an annual conference at which officials and bus users tell Ikarus representatives what they think of the buses.

Yet the Soviet Union is scarcely the best marketing reference for sales outside Comecon. It was to establish such reference credentials that Ikarus started selling to Sweden 15 years ago, to the US seven years ago, and to the UK this year.

"So far we don't sell regularly to the EEC—apart from a one-off sale to Hamburg and, of course, our sales to Greece." Spain and Portugal, the new entrants to the EEC, are seen *as competitors rather than* customers. The general view of Ikarus and its Mogurt agents is that Western Europe still has too many local bus makers chasing too few orders for it to be rewarding to an outsider.

ARGENTINE AEROSPACE

Jimmy Burns looks at how the Alfonsin regime is bringing changes at FMA

Big shake-up for Argentine plane maker

A BIG reorganisation of Fabrica Militar de Aviones (FMA), the manufacturing branch of the Argentine airforce, is underway; it is aimed at improving the self-sufficiency of the armed forces in weapons production and boosting the export potential of the country's crisis-torn aerospace industry.

The reorganisation of what has traditionally been one of the most deeply entrenched fiefdoms of the Argentine military is being made possible thanks to a close political alliance between the airforce and the democratic government of President Raul Alfonsin.

This was symbolised last March with the appointment of Brigadier General Teodoro Waldner as the head of the joint chiefs of staff, the first airforce officer to command the operations of all three services and thus upset the historical tutelage of the army.

FMA, with a workforce of 5,000 and five plants, boasts the oldest established aerospace industry in South America. Its first factory was established in 1928 and Argentina became the first country in the region to produce its own plane, although not on a commercial scale, during the post-war industrialisation of General Juan Peron.

In recent years FMA has fallen behind US competitors in Brazil, failing not only to accompany the professional needs of the airforce, but also to penetrate the international market. In the 57 years of its existence, FMA has exported six units, all to neighbouring Uruguay.

Domestically it has become an embarrassing white elephant and a drain on state resources, particularly during successive periods of military rule. FMA's accounts have never been made available to the public but it is understood that the company has never made a profit.

A state of virtually permanent financial anarchy has accompanied the constant changes of government, the discrimination of export policy in favour of the army, and the particular nature of airforce officers who have sat on successive management boards with grandiose plans for self promotion while lacking the least technical know-how or market sense.

The prototypes on which FMA has spent vast sums in recent years have ranged from parachutes to cars, but not one aircraft has emerged from the industry capable of being of long-term use to the armed forces, let alone of attracting a wider foreign market.

The vulnerability of Argentina's aerospace industry was exposed by the Falklands war. Dependent on foreign, mainly US and European parts, the airforce was virtually neutralised when these were embargoed (although replacements have been obtained through third parties, and countries like Israel, at considerable extra cost). The only home produced combat aircraft, the 1A 58 Pucara, built during the 1970s to help the army in its counter-insurgency operations, proved hopelessly slow against the kind of sophisticated anti-aircraft weaponry used by the British.

The lessons drawn by the airforce combined with Mr Alfonsin's determination to professionalise and depoliticise the armed forces have begun to produce the first practical evidence of a historic marriage of convenience.

Since December, more than 20 senior management posts at FMA have gone to civilians. Although the managing director remains an airforce commodore, FMA's five plants are to be given separate marketing divisions and a larger degree of autonomy. The new civilian military holding will be supervised by a commission with representatives from the private sector, the civilian ministry of defence, and the foreign ministry.

Financially, FMA will no longer be part of the airforce's budget, but will have to be self-financing. Although the state will keep a 51 per cent majority shareholding, FMA is to be opened to private shareholding. By becoming a mixed company, government officials believe it will become both more efficient and more competitive.

With the announcement in January of a joint co-operation agreement with Embraer of Brazil, the Argentine aerospace industry appears to have entered an ambitious second stage of its reorganisation.

The Brasilia turboprop, focus of a joint co-operation deal between FMA and Embraer

The agreement focuses on the joint production of the Brasilia, the pressurised 30-seater turboprop which has become one of Brazil's great export successes over the past year, particularly in Europe and the US.

Initially FMA will supply chemically milled parts for the fuselage, wings and tail of the plane, receiving from Embraer training and technological transfer for making carbon fibre parts used mainly in engine blades.

Argentine airforce officials say the details of the agreement are a state secret, but it is understood that the joint production of the Brasilia is seen as a stepping stone for a more ambitious integration of the Argentine and Brazilian aerospace industries.

Future co-operation may be applied to the development of a light transport plane for military uses and Latin America's first joint advanced fighter plane.

Argentina has also hinted that it might use the Brasilia deal to barter for some Tucano fighter-trainers — some reports indicate as many as twenty — to cover its immediate needs.

Meanwhile talks have been conducted recently between FMA and other foreign companies which are interested in using Argentina as a base for the still lucrative third world market. Future co-operation agreements could be extended to either Agusta of Italy or Sikorsky of the US for the development of a military helicopter similar to Agusta's A109 Mk 11.

For most of its history the Argentine military has relied heavily on direct arms purchases from abroad, but the budgetary restrictions imposed by the Alfonsin government — the defence budget has been slashed from more than six per cent of GDP to less than three per cent—and a renewed post Falklands nationalist distrust of military dependency, have put the emphasis on technological transfer, rather than expenditure on domestic research and development as a way to self sufficiency.

Even before the current reorganisation FMA had already taken a step in this direction with the building of its 1A 63 jet trainer. The design for the aircraft began in 1979 with the assistance of Dornier of West Germany. Initially more than 100 Argentine engineers were assigned to Dornier's West German plant during the first production and design phase. Officials at FMA boast they have acquired the necessary technical know-how to build the jet trainer on their own with an engine similar to its current Garrett TFE 731-2 turbofan.

Significantly, it is the technology acquired from Dornier which seems to have attracted Embraer and which is likely to be put into use in future aircraft programmes. At its factory in Cordoba, FMA is understood to have added more than 275,000 square feet of enclosed space to its manufacturing area in order to accommodate new chemical milling equipment.

When they talk of the reorganisation of FMA, airforce officials say they would like to emulate countries like Brazil and Italy where national aerospace industries have responded successfully to growing overseas markets because of, rather than in spite of, a lack of government direction.

Now that the armed forces are no longer in power, they argue, FMA should be allowed to develop a flexible network of civilian salesmen against the background of a none too restrictive government policy on arms manufacture and exports. This would not only help the Argentine armed forces defend the nation, but also bring in much needed foreign currency.

As in Brazil and Italy, the fact that the armed forces cannot afford to spend much on new equipment can even be an advantage. Such restrictions would force FMA to make what the market really wants.

There is still a question mark over the future of FMA's potentially most controversial project: Condor I-A III, a rocket able to deliver a 500 kilos pay load over a range of elevation of 100 km.

FMA openly describe such projects as part of their space research programme for "peaceful uses." However, some observers are worried that such "rockets," if equipped with appropriate sub munitions, could pose a serious threat to existing military facilities on the Falklands.

FRENCH ELECTRONICS

Thomson seeks European partners in avionics

BY PAUL BETTS IN PARIS

THOMSON, the nationalised French defence and electronics group, is seeking to extend its collaboration with other European equipment manufacturers, especially in West Germany, as part of its broader efforts to expand its avionics business. The French group, with aerospace businesses ranging from cockpit equipment and radar to air defence and arms systems, is also looking increasingly towards the civil aviation market for future opportunities and for better penetration of the US.

"I don't think one should regard the US market as taboo and closed," says Mr Jacques Savoyen, the head of Thomson's avionics division which is expected to lift sales to about FFr 7.5bn ($1.07bn) this year, up from around FFr 5.9bn last year. In 1984, these businesses accounted for FFr 5bn out of the Thomson group's total consolidated sales of FFr 57bn. If air traffic control systems, air defence systems and telecommunications are added, the aerospace market accounted for as much as FFr 20bn of Thomson's total sales in 1984.

Although Thomson has recently been making fresh investments in the avionic equipment sector—at the end of last year it acquired from Bendix the US group's French subsidiary Air Equipement—the future outlook is far from rosy.

"The coming years will be difficult," acknowledges Mr Savoyen. While the civil aviation market has been picking up, the military side of the business has been slowing down. Exports of Mirage 2000 fighters have been more modest than anticipated, while Aerospatiale helicopter sales have been going through a crisis period.

The problem for avionic equipment manufacturers is that the downturn in military business weighs heavily on research and development spending. Up to now, a group like Thomson could rely on government defence contracts to support about two-thirds of its R & D costs in avionics. It has now dropped to about 50 per cent, according to Mr Savoyen. Considering that annual R & D spending now averaged FFr 1-1.5bn—or the equivalent of about 20 per cent of the sales of the branch — a slowdown or delay in defence contracts can have a significant impact. For this reason, Mr Savoyen argues that it is essential for European avionics producers to extend collaboration.

"The days of expansion are behind us. The Middle East market is down as a result of the fall in oil prices and the dollar."

He believes there are two ways in which European avionic producers could strengthen their competitive position — through concentrations or mergers with other groups, or through technical co-operation with other European producers, or both.

Mr Jacques Savoyen: "coming years will be difficult"

At the same time, the Europeans can take advantage of what appears to be an opening on the US market. Although big contracts like Thomson's Rita military communications system sale to the US army are unlikely to happen every day, Mr Savoyen believes the US could be tempted to turn to Europe for certain systems and equipment if costs are competitive. "This could increasingly be the case if the US Congress puts increasing pressure on reducing the US budget deficit."

An example of European collaboration advocated by Mr Savoyen is Thomson's association with Lucas Industries of the UK through Thomson-Lucas. This joint venture, 51 per cent-controlled by the French group, includes three avionic equipment subsidiaries, ABG-Semca, which supplies air conditioning systems, Bronzavia, a maker of hydraulic systems, and Auxilec, which is involved in electric power supply systems. Air Equipement, the former Bendix French subsidiary, is also in the process of being merged in Thomson-Lucas.

Ironically, Thomson barely two years ago was thinking of selling its 51 per cent stake in the joint venture with Lucas to another French equipment maker. But in 1984, Thomson radically changed its approach to Thomson-Lucas and decided to keep its stake.

Closer technical collaboration between Thomson and Lucas has enabled the company to secure new business, notably on the Airbus A-320 programme. Moreover, collaboration has been extended to West German companies.

"Lucas is not just a sleeping partner," says Mr Savoyen. The collaboration now also extends to the US. In Toulouse, the centre of the French aerospace industry, the two companies are integrating their logistic and maintenance operations. They hope that they will be able increasingly to penetrate the British or French aerospace markets through their association.

Mr Savoyen, however, makes no secret that Thomson is especially keen to find German partners. Thomson already collaborates in various avionic components with Liebherr Aerotechnik, Siemens and VDO Luftfahrtgerate Werk.

The partnerships with German groups are designed in part to boost Thomson's chances of gaining orders in the Airbus programmes, since Airbus encourages the participation of consortium member country groups. Civil aviation orders are likely to become increasingly important to offset the uncertainties of military business, especially on such programmes as the French Rafale fighter aircraft and the European Fighter Aircraft project.

In any event, Mr Savoyen warns, the Europeans will have to co-operate increasingly. "The costs of developing new systems are huge. It costs more than FFr 2bn to develop a radar system over 10 years. So we either co-operate or we will be invaded by the US."

Copies of this document, which comprises Listing Particulars with regard to Gold Greenlees Trott plc ("the Company") and its subsidiary in accordance with The Stock Exchange (Listing) Regulations 1984, have been delivered to the Registrar of Companies for registration as required by those Regulations. The Directors of the Company, whose names appear in "Directors and Advisers" below, are the persons responsible for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

The Listing Particulars have been approved by the Council of The Stock Exchange and application has been made to the Council of The Stock Exchange for the whole of the Ordinary share capital of the Company, issued and now being issued, to be admitted to the Official List. The Application List for the Ordinary Shares now offered for sale will open at 10.00 am on 7th March 1986 and will close as soon thereafter as James Capel & Co. may determine. The procedure for application and an application form are set out at the end of this document. It is expected that admission to the Official List will become effective and dealings will commence on 14th March 1986.

GOLD GREENLEES TROTT plc

(Incorporated in England under the Companies Acts 1948 to 1976 with registered No. 1482152)

Offer for Sale by James Capel & Co.

of 3,000,080 Ordinary Shares of 5p each at 165p per share payable in full on application

Share Capital

Authorised:

£595,750 in 11,915,000 Ordinary Shares of 5p each

Issued and now being issued fully paid:

£433,000 in 8,660,000 Ordinary Shares of 5p each

The Ordinary Shares in issue and now being issued rank pari passu in all respects and carry the right to receive all dividends or other distributions declared, made or paid hereafter.

Indebtedness

At the close of business on 10th February 1986, the Company and its subsidiary had outstanding a bank overdraft of £3,303. Save as aforesaid and apart from intragroup liabilities neither the Company nor its subsidiary had any loan capital (including term loans) outstanding or created but unissued, or any outstanding mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, or guarantees or other material contingent liabilities.

DEFINITIONS

"the Company"
Gold Greenlees Trott plc

"Gold Greenlees Trott", "GGT" or "the Agency"
Gold Greenlees Trott Advertising Limited, or, where the context so admits, the Company

"the Group"
the Company and Gold Greenlees Trott Advertising Limited

"the Ordinary Shares"
Ordinary Shares of 5p each in the Company

"the Offer for Sale"
the Offer for Sale by James Capel & Co. of 3,000,080 Ordinary Shares at 165p per share, as described herein

"the Directors"
the Directors of the Company at the date hereof

"the Founding Directors"
Michael Gold, Michael Greenlees and David Trott

"the Agency Board"
the Board of Directors of Gold Greenlees Trott Advertising Limited

"MEAL"
Media Expenditure Analysis Limited which publishes information on the estimated expenditure of advertisers and their agencies on television and in the principal consumer print media and "MEAL Expenditure" should be construed accordingly

DIRECTORS AND ADVISERS

Directors
Michael David Gold *Joint Chairman*
Michael Edward Greenlees *Joint Chairman*
David John Trott *Creative Director*
Edmund Andrew Emerson *Non-Executive Director*
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Solicitors to the Offer for Sale
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Receiving Bankers
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Mariner House, Pepys Street, London EC3N 4DA

Registrars and Transfer Office
Hill Samuel Registrars Limited
6 Greencoat Place, London SW1P 1PL

SUMMARY OF INFORMATION

The following information should be read in conjunction with the full text of this document.

The Business

Gold Greenlees Trott is a London based consumer advertising agency providing a comprehensive range of creative, media and planning services for a broad range of clients.

The Agency was founded in 1980 and has grown rapidly, aided by its creative reputation and distinctive style, to the point where it is now regarded by potential clients as one of the most sought after in the sector.

Trading Record and Profit Forecast

The results of the Group for the five financial periods ended 30th April 1985, extracted from the Accountants' Report, together with a forecast for the year ending 30th April 1986, are summarised below:

	14 months ended 30th April 1981 £'000s	Years to 30th April 1982 £'000s	1983 £'000s	1984 £'000s	1985 £'000s	Forecast 1986 £'000s
Turnover	1,300	4,110	8,558	11,098	18,667	**29,500**
Profit before taxation	36	174	219	343	638	**1,300**
Profit for the financial period after taxation	19	80	132	145	311	**741**
Earnings per share	0.24p	1.00p	1.65p	1.81p	3.89p	**9.16p**

The 1986 forecast includes audited results for the six months to 31st October 1985.
For further information, see "Information Relating to the Profit Forecast" below.

Offer for Sale price and Offer for Sale statistics

Offer for Sale price per share	165p
Number of shares in issue following the Offer for Sale	8,660,000
Market capitalisation at the Offer for Sale price	*£14.3m*
Number of shares to be sold in the Offer for Sale:	
by existing shareholders	2,340,080
by the Company	660,000
Net amount to be raised by the Company	£539,000
Forecast earnings per share:	
estimated 43% actual taxation	9.16p
notional 35% taxation	10.45p
Prospective price earnings multiple:	
estimated 43% actual taxation	18.0
notional 35% taxation	15.8
Forecast gross dividend yield at the Offer for Sale price	2.5%
Prospective dividend cover:	
estimated 43% actual taxation	3.0 times

For bases of calculations, see "Profit and Dividend Forecast" below.

LETTER FROM THE FOUNDING DIRECTORS

The following is a copy of a letter to James Capel & Co. from the Founding Directors:

The Directors,
James Capel & Co. 28th February 1986

Dear Sirs,
This letter describes the position of the Agency in the advertising industry, the financial record of the Company and its prospects:

Summary

- Gold Greenlees Trott is an advertising agency. It plans, conceives and executes advertising for clients, mostly in the field of consumer goods and services.
- The Agency has a continuing relationship with its clients and derives its income from both fees and commissions earned on advertising expenditure.
- We started in 1980 with no business and have shown strong and *consistent* growth.
- The Agency's rate of growth has outperformed both the substantial growth of the UK advertising market and the even stronger growth of the British controlled agencies.
- Our clients include some of the best known brand names in the country. We work with clients in seven of the top ten MEAL spending categories, and have clients in five of the top ten fastest growing categories. The Agency's business is well spread, and is not dependent on any one client.
- Gold Greenlees Trott has built an outstanding reputation for producing highly visible and innovative advertising. We have won many awards for the work we have produced for our clients and for our own performance.
- We have developed a strong management structure designed to ensure proper quality control and the best utilisation of resources.
- Share participation is widely spread throughout all management levels.
- The Agency's profitability ranks amongst the highest in the industry. A recent survey showed that the Agency's pre-tax profit margin on turnover was 3.4% compared with an average of 2.0% for the top 50 agencies.
- There are strong indications that the Agency's organic new business growth will continue. Long term, we intend to develop the Group as a major force in advertising and related markets.

History

We began in June 1980 with no clients, no income and only 500 square feet of office space in Jermyn Street, London SW1.

What we did have, however, was a strong conviction that most of the major agencies which dominated the UK advertising market in the 1960s and '70s had failed to recognise the massive changes which were taking place in society: changes in family structure, in the distribution of wealth, in personal aspirations, in the availability and complexity of media and in the channels of distribution for consumer goods.

We were convinced that an agency which understood and which took account of these changes and recognised them in its approach to creativity and working methods would succeed in the 1980s.

We seem to have been right.

Within a month of starting we had won our first account in competition with three other agencies. Additional new business wins followed quickly.

By the end of 1980 we had acquired new premises to house the fast expansion of the Agency.

We were chosen by *Campaign* magazine as 'Agency of the Year' for 1981, an accolade which helped to attract further new business.

The Agency's reputation, turnover and profits have continued to grow. (see Fig 1)

Gold Greenlees Trott's resilience was demonstrated in 1982 when its premises and all its records were completely destroyed by fire. Within 48 hours the Agency was relocated and back in business, with no loss of clients, and continued on its growth path.

Our most recent figures show that our growth continues.

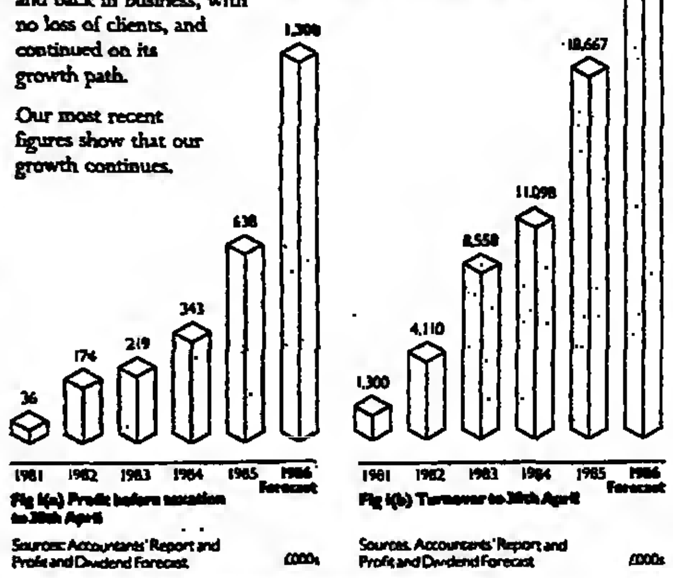


Fig 1(a) Profit before taxation to 30th April
Sources: Accountants' Report and Profit and Dividend Forecast £000s

Fig 1(b) Turnover to 30th April
Sources: Accountants' Report and Profit and Dividend Forecast £000s

The New Era of British Advertising

Since the formation of Gold Greenlees Trott in 1980, the UK advertising industry has experienced a number of important changes both in terms of size and structure.
As Fig 2 indicates, advertising expenditure recorded by MEAL more than doubled between 1980 and 1985. Even in real terms, adjusted for inflation, this represents substantial growth.
For 1986, the Advertising Association predicts real growth in MEAL expenditure of 6%.

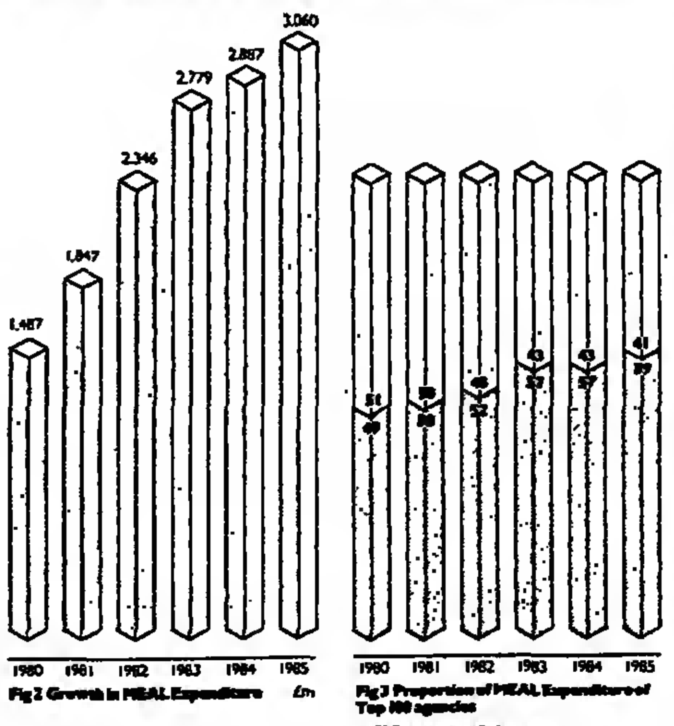


Fig 2 Growth in MEAL Expenditure £m

Fig 3 Proportion of MEAL Expenditure of Top 100 agencies
◇ % Foreign controlled agencies
◇ % British controlled agencies

The market is dominated by the top 100 agencies who, according to rankings derived from MEAL statistics, accounted for over 80% of MEAL Expenditure in 1985.

The same period has witnessed the increasing importance of British controlled agencies. As Fig 3 indicates, between 1980 and 1985 their share of the top 100 agencies' MEAL Expenditure has increased from 49% to 59%.

The dynamism and strength of British controlled agencies have been a significant feature of advertising in this country for some years. Both American and UK commentators have recognised that, taken together, British agencies form a major threat to the established American multinationals.

As a British agency, Gold Greenlees Trott has contributed to and benefited from this trend.

Fig 4 shows that we have consistently and substantially outperformed even the British controlled sector in growth terms.

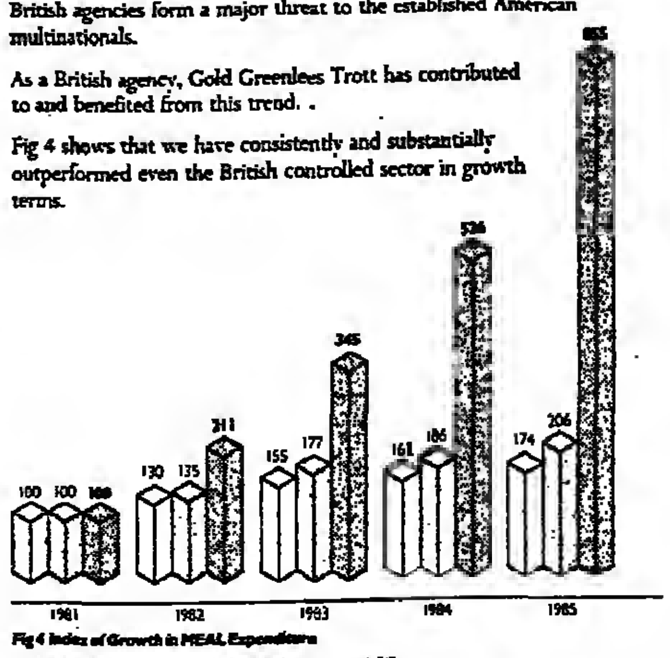


Fig 4 Index of Growth in MEAL Expenditure
◇ Top 100 agencies ◇ British controlled agencies ◇ GGT

Client List

Alex Lawrie Factors Financial Factoring	***Independent Television Companies Association*** Media Promotion
Bowater Scott Baby Fresh	***London Docklands Development Corporation*** Docklands Development
Brooke Bond Oxo Equal	***Mazda Cars*** Motor Cars
Byron International/Britains Petite Toys, Britains Toys	***Wm. Morrison Supermarkets***
Cadbury Creme Eggs, Double Decker	***National & Provincial Building Society***
Manpower Services Commission/COI Enterprise Allowance Scheme	***Philip Morris*** Marlboro Cigarettes
Danish Dairy Board Lurpak Butter, Blue Cheeses	***Sterling Health*** Cymalon
Farley Health Products Rusks & Cereals	***The Taunton Cider Co.*** Autumn Gold Cider
Hedges & Butler Hirondelle Wines	***Thorn-EMI*** Premiere Cable Film Channel
Holsten Distributors Holsten Diät Pils, Moravia from Holsten	***Toshiba (UK)*** Audio Visual Products, Home Appliance Products
Honeywell Information Systems Computers	***Walkers Crisps*** Savoury Snacks
	Watney Mann & Truman Brewers Foster's Lager, Holsten Export, Central Media Buying

The Business

Client Base and Spread of Business

The Agency numbers amongst its clients some of the best known brand names in the country.

Starting from a zero base in 1980, the Agency's client list has grown dramatically in both status and size.

This growth has come from two sources: additional assignments from existing clients and new business won in competitive pitches.

Over half our clients have given us additional assignments since our original appointment, a good sign of a strong and enduring relationship.

Our record in competitive pitches has been outstanding. In 1985, the Agency's success rate in competition, usually with three or four agencies, was 56%. We believe this to be one of the highest success rates achieved.

Our recent gains indicate the Agency's ability to attract large 'blue chip' clients.

Gains since January 1985
Lurpak Butter
Danish Blue Cheeses
Foster's Lager
Marlboro Cigarettes
Walkers Snacks
Wm. Morrison Supermarkets
Cadbury's Creme Eggs
Cadbury's Double Decker
Manpower Services Commission/COI
National & Provincial Building Society
Toshiba Microwave Ovens

Gold Greenlees Trott now works with clients in seven of the top ten categories for advertising expenditure as measured by MEAL in 1985 (see Fig 5).

Fig 5 Top 10 Product Categories by MEAL Expenditure £m

Food	484
Retail & Mail Order	359
Financial	300
Motors	265
Drink	169
Household Stores	158
Leisure Equipment	150
Toiletries & Cosmetics	149
Holidays, Travel & Transport	133
Household Appliances	114

◇ GGT has clients in this category

And we have clients in five of the ten categories in which MEAL Expenditure has grown fastest over the last five years (see Fig 6).

Fig 6 Top 10 Product Categories by Percentage Growth in MEAL Expenditure (1980-85)

Office Equipment	+703
Financial	+227
Motors	+124
Household Stores	+110
Publishing	+109
Toiletries & Cosmetics	+108
Household Appliances	+107
Food	+106
Charity & Education	+103
Holidays, Travel & Transport	+89

◇ GGT has clients in this category

In the year ending 30th April 1986 the Agency's largest client is expected to represent only 12% of gross profit. The Agency is thus not dependent on any one client. Indeed, the top five clients together should account for only 43% of gross profit.

Our Reputation

We have no doubt that the commercial success of the Agency has been aided to a large degree by its reputation for producing creative and innovative advertising.

Based upon its creative reputation, Gold Greenlees Trott was named 'Agency of the Year' for 1981 by *Campaign*.

Campaign described the Agency's work as having punch and attack, adding that it had some of the muscularity and freshness of the best American advertising whilst retaining the English eye for detail and attention to production values.

In October 1985, 160 top marketing directors responded to a survey by *Campaign* which asked them to: "Name one agency you do not use at the moment that you would include if you were drawing up a short list." Gold Greenlees Trott was placed equal third as the table below illustrates. For an agency which did not exist six years ago we believe this is a substantial achievement.

1	Boase Massimi Pollitt
2	J. Walter Thompson
3 =	**Gold Greenlees Trott**
3 =	Wight Collins Rutherford Scott
5 =	Abbott Mead Vickers
5 =	Young & Rubicam

Since we began, the Agency has won over 45 awards for its work, and has been recognised both in the UK and internationally as one of the most creative agencies.

Advertising Awards

Campaign Agency of the Year
1981: Winner

British Television Advertising Awards
1981: 2 Gold Awards, 1 Silver Award
1982: 1 Silver Award
1983: 1 Gold Award, 2 Silver Awards, 1 Bronze Award, 2 Diplomas
1984: 2 Gold Awards, 3 Silver Awards
1985: 3 Silver Awards, 2 Bronze Awards

Design & Art Directors Association Awards
1982: 1 Silver Award
1983: 2 Silver Awards
1984: 1 Gold Award, 2 Silver Awards
1985: 1 Silver Award

Campaign Poster Awards
1982: 1 Gold Award
1984: 2 Gold Awards, 1 Silver Award
1985: 1 Silver Award

Cannes Advertising Films Festival
1982: 1 Gold Lion
1983: 1 Silver Lion
1984: 3 Silver Lions

International Film & Television Festival of New York
1982: 1 Bronze Award
1983: 1 Gold Award
1984: 1 Gold Award
1985: 1 Silver Award

Irish Advertising Awards
1984: Premier Award

IPA Advertising Effectiveness Awards
1984: Category First Prize

What we Believe
Each day consumers are exposed to many hundreds of advertising messages. Advertising has become such a familiar part of our everyday lives we could be forgiven for not noticing it at all.

We believe, therefore, that advertising must seek to create impact by using images which are unfamiliar.

Which are new, fresh and challenging.

At Gold Greenlees Trott we're suspicious of the self-evident.

We question conventional wisdom.

We use research, not simply to tell us what has been, but to help us decide what might be.

We believe that only by producing fresh new thinking can we begin to create impact for our clients' messages.

But the process requires discipline and clear thinking. It requires an understanding of what advertising can't achieve, as well as what it can.

It requires simple, well defined objectives.

Once defined, we invite our clients to measure our performance against those objectives.

We believe that advertising should be an investment, not a cost.
And like any other investment, our clients should expect a return on it.

For example:

- Our first year's campaign for Mazda tripled awareness of the marque and so impressed the independent dealer network that they voted an extra £1 million out of their own pockets to add to the 1986 advertising budget.
- Ex-factory sales of Sterling Health's Cymalon trebled following our advertising campaign on television.
- Toshiba's share of the colour television market more than doubled following our "Blueprint" man campaign.
- Our "Crows" campaign for The London Docklands Development Corporation has been acknowledged by the then Chairman, Sir Nigel Broackes, as being a major contributory factor in the successful regeneration of London's docklands.

Putting it into Practice
We're one of the few advertising agencies in London that actively encourages internal competition between creative groups, reviewing each group's work regularly. We often reject 30 or 40 ideas before we are satisfied. This kind of competition encourages the high standards of creative excellence for which we are known.

We have a strict quality control discipline which ensures that all the advertising we produce is properly scrutinised by department heads. And we have a traffic system that allows our creative department sufficient flexibility to let their imagination go to work whilst at the same time ensuring that the commercial disciplines are not forgotten.

Our Media Strength
Gold Greenlees Trott operates in all major media.

We believe that the selection and use of the appropriate media should be treated as an integral part of the process of producing advertising; we strive for the same high standards of innovation in media as we do in all other aspects of advertising development. For example, the Agency is well known for its innovative use of the poster medium for London Weekend Television.

Our business has historically been weighted towards television, which in 1985 accounted for 76% of our total media spend.

Television has for some time been the fastest growing sector of advertising revenue. Despite a small downturn in the first quarter of 1985, the market quickly recovered; second half figures show an increase of 15.3% with the full year 7.7% up on 1984.

Whilst the future of broadcasting in the UK is currently the subject of much debate, the availability of commercial airtime is likely to increase, either through legislation or through technology, probably both, and the future for television advertising looks bright.

Our strength in media, and our ability to deliver value, were recognised by Watney Mann & Truman Brewers in 1983 when they appointed the Agency to handle all their media buying for all their brands, including those where the advertising itself was produced by other agencies.

Management and Operating Principles

The Directors
Michael Gold (44) has spent most of his twenty seven working years in advertising within the media discipline. He was a group head by the time he was 21 before becoming one of London's youngest media directors at KMP in 1964. He was a founding partner and media director of French Gold Abbott ("FGA") in 1970 and became chairman in 1978. He is Joint Chairman of the Company with responsibility for finance and Joint Managing Director of the Agency with executive responsibility for media. He has had overall responsibility for finance since the formation of the Agency.

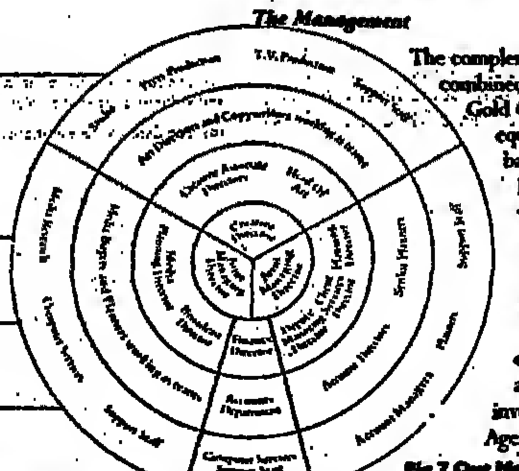
Michael Greenlees (39) was trained in marketing with Bowater Scott and Imperial Tobacco. In 1973 he joined Boase Massimi Pollitt ("BMP") where he was an account director and partner. In 1976 he moved to FGA as client services director. He is Joint Chairman of the Company and Joint Managing Director of the Agency with executive responsibility for client services and new business.

David Trott (38) was trained at the Pratt Institute in New York where he graduated with a Bachelor of Fine Arts in Advertising in 1970. He joined BMP in 1971 where he became deputy creative director and senior partner in 1978. He has won many major awards for his work, and is well known in advertising for his interest in the training of young creative talent. He is the Creative Director of the Company and of the Agency.

Edmund Emerson (53), non-executive, has since 1975 been a director of Hill Samuel & Co. Limited who are bankers to the Company. He joined Hill Samuel in 1968 after some years with Martin's Bank. He is a director of Universal Credit Limited and executive chairman of London Bridge Finance Limited, both wholly owned subsidiaries of Hill Samuel. He was appointed a non-executive director of the Company in February 1986.

Company Secretary
Anthony Shelton (36) qualified as a Chartered Accountant after taking an honours degree in Economics at Nottingham University. He entered advertising in 1979 as chief accountant at Doyle Dane Bernbach and joined GGT three years later. He was appointed Company Secretary in 1982 and became Finance Director of the Agency in 1984.

The Management



The complementary skills of the Founding Directors have combined to ensure that all the major disciplines at Gold Greenlees Trott have been developed with equal commitment and care (see Fig.7). This balance of skills has been maintained as we have grown, resulting in the creation of a working environment which has attracted highly talented people to all departments.

Our management structure has been designed to ensure proper quality control and utilisation of resources, to promote the development of talent, and to encourage accountability through the widest possible involvement in the management of the Agency.

Fig 7 Our Management Tree

The Agency is managed by a Board of ten comprising the Founding Directors, the Finance Director of the Agency and all key department heads, all of whom are shareholders in the Company and all but two of whom have been promoted from within.

James Kelly (31), Client Services Director, graduated from Oxford with an honours degree in PPE. He was an account director at Saatchi & Saatchi before joining GGT in 1982. He was promoted to the Agency Board in 1983.

Damian O'Malley (29), Director of Planning and Research, graduated from Oxford with an honours degree in Psychology. He was a senior planner at BMP before joining GGT in 1981. He was promoted to the Agency Board in 1983.

Andrew Napier-Wilson (34), Director of Broadcast Buying, has specialised in broadcast media since 1968 working in a number of agencies including Dorlands and FGA. He joined GGT in 1982 and was promoted to the Agency Board the following year.

Julian Neuburger (31), Director of Media Planning, has been a media planner with several agencies including KMP and FGA. He joined GGT in 1982 and was promoted to the Agency Board the following year.

Paul Simons (37), Deputy Managing Director, began his career with Cadbury Schweppes and Imperial Tobacco before moving to Cogent Elliott in 1978, where he became head of client services in 1981. He joined the Agency Board in 1984 and became Deputy Managing Director in 1985.

Gordon Smith (37), Head of Art, was an art director with several agencies including Collett Dickenson Pearce, FGA and BMP before joining the Agency Board as Head of Art in 1980.

The Agency has a policy of growing its own management wherever possible. This has led to a strong corporate culture and people at all levels with a high degree of personal commitment to the Agency.

In order to promote good communications with staff, and to ensure the widest possible involvement in the management of the Agency, we have developed the role of associate director, of whom there are currently sixteen. The associate directors meet regularly and provide recommendations to the Agency Board.

The Agency employed an average of 39, 53 and 71 people in the financial years ending in 1983, 1984 and 1985 respectively. An analysis of Gold Greenlees Trott's 102 full time personnel by department including directors as at 1st February 1986 is shown below.

Creative	22
Creative Services	17
Account Handling	21
Planning & Research	12
Media	15
Finance & Administration	15

Share Option and Profit Sharing Schemes
The Company has encouraged wide share ownership through a share option scheme. There are currently 28 members of staff who hold share options. We recognise the continuing importance of share incentives to enable us to attract and retain key employees. We will therefore consider the early introduction of a new share option scheme which may be linked to the earnings per share performance of the Company to succeed the old share option scheme which has been closed down, fully allocated. We have already introduced a profit sharing scheme.

Operating Principles
There used to be a conventional wisdom in the advertising business that agencies with a high creative profile didn't make money; that there was somehow a conflict between creativity and good business practice.

We fundamentally reject this view. The Agency has spent the past six years demonstrating that this conflict need not exist and that the reverse can be true.

We have combined our creativity with strong operating principles to ensure that we apply resources cost-effectively and optimise profit.

- Each year we set targets for growth and profit and each year they have been achieved or exceeded. These targets have been understood by all levels of management and staff and have resulted in a strong business ethic which sits happily alongside the Agency's creative ethic.
- Heads of department meet weekly to review workloads, client presentation dates and production plans. Creative work is reviewed weekly by the Creative Director.
- We have a policy of clearly defining our business terms with our clients prior to appointment.
- We exercise effective credit control and cash management.

The Agency's profitability ranks amongst the highest in the industry. A recent survey by *Advertising Agency Review* showed Gold Greenlees Trott already amongst the top ten agencies measured in terms of pre-tax profit margin on turnover and per employee; the Agency's pre-tax profit margin on turnover was 3.4% compared with an average of 2.0% for the top 50. (*Advertising Agency Review*, published in *Marketing Week* 10th January 1986).

Financial Information

Trading Record
The table below summarises the results of the Company for the five financial periods ended 30th April 1985, as shown in the Accountants' Report:

	14 months ended 30th April	Years ended 30th April			
	1981	1982	1983	1984	1985
	£'000s	£'000s	£'000s	£'000s	£'000s
Turnover	1,300	4,110	8,558	11,098	18,667
Profit before taxation	36	174	219	343	638
Profit for the financial period after taxation	19	80	132	145	311

The table above demonstrates that the Agency has maintained high levels of growth and profitability.

Profit and Dividend Forecast
The Directors forecast that, in the absence of unforeseen circumstances, the Group profit before taxation for the year ending 30th April 1986 will be not less than £1,300,000 with a turnover of approximately £29,500,000. Further details relating to the forecast and the assumptions on which it is based are set out under "Information Relating to the Profit Forecast" below.

On the basis of the profit forecast of £1,300,000 and an estimated corporation tax charge of 43%, the profit for the financial year after taxation will be not less than £741,000. Based on the weighted average number of Ordinary Shares anticipated to be in issue during the year ending 30th April 1986 of 8,086,795, the forecast earnings per share will be 9.16p.

If the Ordinary Shares had been publicly held throughout the year ending 30th April 1986, we would have expected to recommend dividends for the year totalling 2.9p (net) per Ordinary Share.

It is our intention to recommend a final dividend of 1.0p (net) per Ordinary Share in respect of the year ending 30th April 1986 payable in about September 1986.

New Premises
Plans are well in hand for a move, scheduled to take place in May 1986, from the Agency's current premises of some 11,000 sq ft in Great Pulteney Street, London W1, to new premises of almost 20,000 sq ft in Dean Street, W1. The cost to the Group of equipping these new premises is expected to be approximately £350,000 and the move will enable the Agency to house its current staff and provide substantial capacity for expansion. No disruption in the Agency's business is anticipated. For further details see note 16 of the Accountants' Report and paragraph 9 of the Statutory and General Information.

Reasons for the Offer for Sale
We are determined to continue to develop Gold Greenlees Trott as a strong and independent force in the advertising business.

We have to date been extremely successful, and a listing for the Company's shares is a natural development of this process of growth, providing a number of benefits.

It will add significantly to the attraction of share ownership for both current and prospective key employees. This will help us to continue to attract and retain highly talented staff and allow them to participate directly in our future success. It will thereby demonstrate to existing and potential clients our commitment to the continuing development of the Agency's resources and to the maintenance of its growing reputation and standards of performance.

The listing will also allow greater access to the capital markets for the purpose of future expansion of the Group.

The net proceeds of the Offer for Sale will be used to meet the costs of equipping our new premises and for future working capital requirements.

Prospects

Gold Greenlees Trott has positioned itself for growth. Our differences in approach have been, and are being, increasingly recognised by major spending clients–especially those in fast growing categories. The acquisition of clients such as Cadbury and the National & Provincial Building Society and further business from Toshiba will only make their full contribution to profit in the next financial year.

Although our move later this year to new premises will increase our overheads, we expect our business to continue to grow profitably in the future.

Our reputation has grown year by year, and our ability to attract and win new clients in 1985 was never better; our success rate in competitive pitches was one of the highest in the country.

We have, however, hardly scratched the surface of the UK advertising market; our share in 1985 represented less than 1% of total MEAL Expenditure.

In addition, the Advertising Association predicts that the market itself will continue to grow in real terms.

The opportunity to exploit further our reputation and management skills is therefore clear and this is where our priorities lie.

We also recognise the opportunity to pursue a strategy for the development of the Group as a major force in advertising and related markets.

Yours faithfully,
Michael Gold
Michael Greenlees
David Trott

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INFORMATION RELATING TO THE PROFIT FORECAST

Bases and Principal Assumptions
The profit forecast set out in "Profit and Dividend Forecast" above is based upon interim audited accounts for the six months ended 31st October 1985, unaudited management accounts for the three months ended 31st January 1986 and projections for the remaining three months. It has been prepared using the accounting policies normally adopted by the Group and is based on the principal assumptions that no significant loss of income will arise from clients amending agreed plans for advertising expenditure or the trading terms currently in operation and that there will be no industrial disputes which might affect the Group, its major clients or major suppliers including media outlets.

Letters on the Profit Forecast
(i) Letter from Arthur Andersen & Co., Chartered Accountants.

1 Surrey Street
London WC2R 2PS
28th February 1986

The Directors
Gold Greenlees Trott plc

The Directors
James Capel & Co.

Dear Sirs,
We have reviewed the accounting policies applied and the calculations made in preparing the profit forecast of Gold Greenlees Trott plc and its subsidiary ("the Group"), for which the Directors are solely responsible, for the year ending 30th April 1986 as set out in the Listing Particulars dated 28th February 1986.

The bases and principal assumptions made by the Directors upon which the profit forecast is based are set out in "Information Relating to the Profit Forecast-Bases and Principal Assumptions" in the Listing Particulars. The profit forecast includes results shown by audited accounts for the six months ended 31st October 1985 and unaudited management accounts for the three months ended 31st January 1986.

In our opinion the profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Directors and referred to above and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully,
Arthur Andersen & Co.

(ii) Letter from James Capel & Co.

Winchester House
100 Old Broad Street
London EC2N 1BQ
28th February 1986

The Directors
Gold Greenlees Trott plc

Dear Sirs,
We have discussed with you and with Arthur Andersen & Co. the profit forecast of Gold Greenlees Trott plc and its subsidiary together with the bases upon which the forecast is made, as set out in the Listing Particulars dated 28th February, 1986. We consider that the profit forecast, for which the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
for James Capel & Co.,
Graham Axford

ACCOUNTANTS' REPORT

1 Surrey Street
London WC2R 2PS

The Directors
Gold Greenlees Trott plc

28th February 1986

The Directors
James Capel & Co.

Gentlemen,

Introduction
We have examined in accordance with approved Auditing Standards the balance sheets of Gold Greenlees Trott plc ("the Company") as at 30th April 1981, 1982, 1983, 1984 and 1985 and as at 31st October 1985 and the related profit and loss accounts and statements of source and application of funds for the fourteen months ended 30th April 1981, each of the years ended 30th April 1982 to 1985 and the six months ended 31st October 1985, prepared on the basis described in the accounting policies section below.

The financial information set out below is based on the audited accounts of the Company, after making such adjustments as we consider necessary. The principal adjustment made, as set out in note 19, relates to the treatment of a provision for estimated liabilities established following the reconstruction of the accounting records which had been destroyed in a fire in July 1982. Our examination of subsequent transactions has demonstrated that the provision was excessive and appropriate adjustments have been reflected in these accounts.

Bingham Conyers & Co., the auditors at the time, expressed unqualified reports on the accounts as at 30th April 1981 and 1982. Because of the fire in July 1982, we have been unable to obtain our own assurances as to the allocation of profits between those periods or on the balance sheet as at 30th April 1981.

In our opinion, the financial information shown below, which has been prepared under the historical cost convention, gives a true and fair view of the state of affairs of the Company as at 30th April 1982, 1983, 1984 and 1985 and as at 31st October 1985 and of its profit and source and application of funds for the years ended 30th April 1983, 1984 and 1985 and the six months ended 31st October 1985. Further, in our opinion, subject to the allocation of profits between the periods ended 30th April 1981 and 1982, the financial information shown below gives a true and fair view of the profit and source and application of funds of the Company for the periods then ended. For the reasons stated above, we are not able to express an opinion on the balance sheet at 30th April 1981.

Accounting Policies
The principal accounting policies adopted in preparing the accounts are as follows –

(a) Basis of accounting
The accounts are prepared under the historical cost convention.

(b) Turnover
Turnover represents the amounts invoiced to clients net of VAT. Commissions are recognised at the time the related advertisement appears or when the related production work is substantially complete. Fees are recognised at the time that they are billable under contracts with the clients.

(c) Taxation
Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation represents the amount required to account for the effect of certain items of income and expense (mainly depreciation) being attributable for tax purposes to periods different from those in which the related credits or charges are recorded in the accounts. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which will probably not reverse.

(d) Tangible fixed assets
Fixed assets are stated at cost, less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of tangible fixed assets on a straight-line basis over their estimated useful lives. The estimated useful life of the leasehold improvements has been based on the expected date of vacation of the present premises. The annual rates of depreciation are as follows –

Leasehold improvements	– 22%
Fixtures and fittings	– 15%
Motor vehicles	– 25%

(e) Work-in-progress
Work-in-progress comprises costs incurred on behalf of clients less progress billings received and receivable, and is stated at the lower of cost and net realisable value.

(f) Investments
Investments are stated at market value.

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Profit and Loss Accounts

	Notes	14 months ended 30th April 1981 £'000s	Years ended 30th April 1982 £'000s	1983 £'000s	1984 £'000s	1985 £'000s	6 months ended 31st October 1985 £'000s
Turnover	1	1,300	4,110	8,558	11,098	18,667	**13,105**
Cost of sales		(1,076)	(3,439)	(7,186)	(9,155)	(15,468)	**(10,923)**
Gross Profit		224	671	1,372	1,943	3,199	**2,182**
Administrative expenses	2	(196)	(537)	(1,203)	(1,706)	(2,714)	**(1,684)**
Exceptional item	3	—	—	—	28	—	**—**
Operating Profit		28	134	169	265	485	**498**
Investment income	4	9	41	53	85	156	**136**
Interest payable and similar charges		(1)	(1)	(3)	(7)	(3)	**(2)**
Profit on Ordinary Activities before Taxation		36	174	219	343	638	**632**
Taxation	5	(17)	(94)	(87)	(198)	(327)	**(265)**
Profit for the Financial Period		19	80	132	145	311	**367**
Dividends	6	—	—	—	—	—	**(180)**
Retained Profit for the Period		19	80	132	145	311	**187**
Earnings per Share	7	0.24p	1.00p	1.65p	1.81p	3.89p	**4.59p**

Balance Sheets

	Notes	30th April 1981 £'000s	1982 £'000s	1983 £'000s	1984 £'000s	1985 £'000s	31st October 1985 £'000s
Fixed Assets							
Tangible assets	8	6	66	267	313	459	**545**
Current Assets							
Work-in-progress	9	—	—	26	111	198	**142**
Debtors	10	218	884	777	1,814	2,846	**4,550**
Investments	11	—	—	500	341	375	**395**
Cash at bank and in hand		101	492	600	881	1,123	**2,614**
		319	1,376	1,903	3,147	4,542	**7,701**
Creditors:							
Amounts falling due within one year	12	(305)	(1,328)	(1,818)	(3,003)	(4,213)	**(7,006)**
Net Current Assets		14	48	85	144	329	**695**
Total Assets less Current Liabilities		20	114	352	457	788	**1,240**
Creditors:							
Amounts falling due after one year	12	—	—	(56)	—	—	**(276)**
Provision for Liabilities and Charges	13	—	(12)	(62)	(78)	(98)	**(87)**
Net Assets		20	102	234	379	690	**877**
Capital and Reserves							
Called-up share capital	14	1	20	20	100	100	**100**
Profit and loss account	15	19	82	214	279	590	**777**
		20	102	234	379	690	**877**

Statements of Source and Application of Funds

	14 months ended 30th April 1981 £'000s	Years ended 30th April 1982 £'000s	1983 £'000s	1984 £'000s	1985 £'000s	6 months ended 31st October 1985 £'000s
Source of Funds						
Profit for the financial period	19	80	132	145	311	**367**
Add (deduct) items not involving cash flow during the period						
– depreciation	1	16	25	85	122	**80**
– (profit) loss on disposal of tangible fixed assets	—	1				**(4)**
– increase (decrease) in deferred taxation	—	12	50	16	20	**(11)**
Total funds from operations	20	109	212	252	453	**432**
Proceeds from disposal of tangible fixed assets	—	1	150	20	35	**35**
Increase in creditors falling due after more than one year	—	—	56	—	—	**276**
Proceeds of issue of shares	—	2	—	—	—	**—**
	20	112	418	272	488	**743**
Application of Funds						
Purchase of tangible fixed assets	6	78	381	157	303	**197**
Decrease in creditors falling due after more than one year	—	—	—	56	—	**—**
Dividends proposed	—	—	—	—	—	**180**
Increase in net current assets, as shown below	14	34	37	59	185	**366**
	20	112	418	272	488	**743**
Increase (Decrease) in Net Current Assets						
Work-in-progress	—	—	26	85	87	**(56)**
Debtors	218	666	(107)	1,037	1,032	**1,704**
Investments	—	—	500	(159)	34	**20**
Creditors falling due within one year	(265)	(1,005)	(311)	(1,188)	(1,444)	**(2,223)**
	(47)	(339)	108	(225)	(291)	**(555)**
Movement in net liquid funds						
– cash at bank and in hand	101	391	108	281	242	**1,491**
– bank overdraft	(40)	(18)	(179)	3	234	**(570)**
	14	34	37	59	185	**366**

Notes

1 Turnover

Turnover arises wholly in the United Kingdom.

2 Administrative Expenses

Administrative expenses include –

	14 months ended 30th April 1981 £'000s	Years ended 30th April 1982 £'000s	1983 £'000s	1984 £'000s	1985 £'000s	6 months ended 31st October 1985 £'000s
Remuneration						
– Founding Directors	55	75	133	118	142	**94**
– Other employees	48	206	540	696	1,138	**816**
Depreciation	1	16	25	85	122	**80**
Auditors' remuneration	1	2	5	7	10	**10**

The Directors' remuneration shown above represents the remuneration of the Founding Directors, M D Gold, M E Greenlees and D J Trott.

3 Exceptional Item

The exceptional item comprises the amount received from the Company's insurers relating to the fire in July 1982 less the related costs.

4 Investment Income

Investment income comprises –

	1981	1982	1983	1984	1985	1985 (6 months)
Income from listed current asset investments	—	—	—	42	33	**20**
Other interest receivable	9	41	53	43	123	**116**
	9	41	53	85	156	**136**

5 Taxation

The tax charge, which is based on profits for the period, comprises –

	14 months ended 30th April 1981 £'000s	Years ended 30th April 1982 £'000s	1983 £'000s	1984 £'000s	1985 £'000s	6 months ended 31st October 1985 £'000s
Current taxation	17	82	37	182	307	**276**
Deferred taxation	—	12	50	16	20	**(11)**
	17	94	87	198	327	**265**

The rate of taxation borne by the Company reflects

– the varying extent to which the Company has benefited from the small companies' rate of corporation tax, and

– the amount of entertaining and other costs not allowable for tax purposes

6 Dividends

No dividends were paid to Ordinary shareholders during the periods ended 30th April 1981 to 1985. In the current year a first and final dividend amounting to £60,000 in respect of the year ended 30th April 1985 and an interim dividend of £120,000 in respect of the year ending 30th April 1986 were proposed; these dividends represented rates of 0.75p and 1.5p per Ordinary Share respectively on the 8,000,000 Ordinary Shares of 5p each in issue immediately prior to the Offer for Sale. These dividends were paid on 31st January 1986.

7 Earnings per Share

Earnings per share for each period are based on the profit for the financial period and have been calculated on the 8,000,000 Ordinary Shares of 5p each in issue immediately prior to the Offer for Sale.

8 Tangible Fixed Assets

At 31st October 1985 the Company's tangible fixed assets comprised –

	Cost £'000s	Accumulated depreciation £'000s	Net book value £'000s
Leasehold improvements	173	81	92
Fixtures and fittings	179	48	131
Motor vehicles	442	120	322
	794	249	545

9 Work-in-progress

Work-in-progress comprises costs chargeable to clients as follows –

	31st October 1985 £'000s
Work-in-progress	338
Less: progress billings	(196)
	142

10. Debtors

Amounts falling due within one year –

	31st October 1985 £'000s
Trade debtors	4,314
Other debtors	52
Prepayments and accrued income	107
	4,473
Amounts falling due after one year –	
ACT recoverable	77
	4,550

11 Investments

Investments are in an open ended investment company which maintains currency funds each with a portfolio of deposits, the accrued interest from which is reflected in the market value of the holding. Accordingly, the increase in the market value is reflected in the profit and loss account as it represents accrued interest and is considered by the Directors to be distributable. The original cost of the investments was £300,000.

12 Creditors

Amounts falling due within one year –

	31st October 1985 £'000s
Bank overdraft	570
Trade creditors	4,645
Proposed dividends	180
Other creditors	
– UK corporation tax payable	306
– VAT	305
– Social security and PAYE	69
– ACT on proposed dividends	77
Accruals and deferred income	854
	7,006

The bank overdraft at 31st October 1985 consists of unpresented cheques.

Amounts falling due after one year –

	31st October 1985 £'000s
UK corporation tax payable	276

The UK corporation tax payable is in respect of the profit for the period to 31st October 1985 and will form part of the liability for the tax period ending 30th April 1986, becoming payable on 1st February 1987.

13 Provision for Liabilities and Charges

The provision for liabilities and charges consists of deferred taxation which has been provided in full.

	31st October 1985 £'000s
Excess of tax allowances over book depreciation of fixed assets	53
Other current timing differences	34
	87

14 Called-up Share Capital

The authorised share capital at 31st October 1985 was £250,000, being 250,000 Ordinary Shares of £1 each.

The called-up share capital at 31st October 1985 comprised 100,000 allotted, called-up and fully paid Ordinary Shares of £1 each.

For changes in the share capital since 31st October 1985 see note 18(c).

In December 1984 the Company established an Employee Share Option Scheme under which, in May 1985, options were granted over 4,500 Ordinary Shares of £1 each at an exercise price of £23. In February 1986 options were granted over a further 6,400 Ordinary Shares of £1 each at an exercise price of £132.

15 Profit and Loss Account

The movement on the profit and loss account since incorporation is as follows –

	14 months ended 30th April 1981 £'000s	Year ended 30th April 1982 £'000s	1983 £'000s	1984 £'000s	1985 £'000s	6 months ended 31st October 1985 £'000s
Beginning of period	—	19	82	214	279	**590**
Retained profit for the period	19	80	132	145	311	**187**
Capitalised during period	—	(17)	—	(80)	—	**—**
End of period	19	82	214	279	590	**777**

16 Lease Commitments

The Company has entered into a lease for new premises for which the rent is payable from 28 days after practical completion of the premises. Practical completion is expected in or about April 1986. The annual rental will be £325,000, subject to review every five years, and the lease will expire in 2010. The cost to the Company of equipping the premises is estimated to be approximately £350,000.

The Company is negotiating the sale by way of assignment of the lease on its main existing premises. The Company has also served notice exercising its option to terminate the lease on its other premises as from 17th July 1986. The annual rentals on these leases have been £101,000 and £24,000 respectively.

17 Pensions

The Company operates a pension scheme for the benefit of certain directors and employees in respect of whom it has made the following contributions –

14 months ended 30th April 1981 £'000s	Year ended 30th April 1982 £'000s	1983 £'000s	1984 £'000s	1985 £'000s	6 months ended 31st October 1985 £'000s
—	—	50	50	50	**25**

The Company expects to introduce within 12 months arrangements to enable employees to fund their own pension plans.

18 Subsequent Events

(a) The Company acquired on 27th August 1985, for a nominal consideration, the whole of the issued share capital of Iconwell Limited, a company which had not traded since incorporation and which has subsequently changed its name to Gold Greenlees Trott Advertising Limited. On 31st January 1986 the trade and certain of the assets and liabilities of the Company were transferred to the subsidiary in consideration for the allotment and issue to the Company of 99,998 ordinary shares of £1 each credited as fully paid. This change in the Group structure has no impact on the financial information contained in this report.

(b) The Company was re-registered as a public limited company on 14th February 1986.

(c) The following changes in share capital have taken place since 31st October 1985:

On 27th February 1986 the authorised share capital of the Company was increased from £250,000 to £595,750 by the creation of an additional 345,750 Ordinary Shares of £1 each and each Ordinary Share was sub-divided into 20 Ordinary Shares of 5p each. On the same date the Company capitalised £300,000 of its reserves and allotted, credited as fully paid, 6,000,000 new Ordinary Shares of 5p each to its existing shareholders.

The movement in the issued share capital since 31st October 1985 was as follows:

	£'000s
In issue at 31st October 1985	100
6,000,000 Ordinary Shares of 5p each allotted, credited as fully paid, by way of capitalisation of reserves on 27th Febuary 1986	300
In issue at 28th February 1986	400

As a result of the Offer for Sale the issued share capital will increase by a further £33,000 being the issue of 660,000 Ordinary Shares of 5p each fully paid.

19 Audited Accounts

Accounts relating to all the periods ended 30th April 1985 have been delivered to the Registrar of Companies. The auditors' reports on the accounts were unqualified with the exception of our report on the profit and loss account and statement of source and application of funds for the year ended 30th April 1983.

A fire in July 1982 (before our appointment as auditors) destroyed the Company's premises and its accounting records. The Company reconstructed its records in respect of the period between the date of its previous audited accounts, 30th April 1982, and the date of the fire. The principal area in which material uncertainties arose related to the composition of creditors at 30th April 1982 and it was this uncertainty that led us to qualify our report on the accounts at 30th April 1983.

Our examination of subsequent transactions has now confirmed that the only area in which adjustments were needed was creditors at 30th April 1982; in retrospect they were overstated and appropriate adjustments have been made to the amounts reported in the statutory accounts at 30th April 1981 to 1983. As a result, in this report our opinion on the balance sheet at 30th April 1982 and the profit and loss accounts and statements of source and application of funds for the subsequent periods is unqualified. Our only remaining uncertainty relates to the allocation of profits between 1982 and 1981 and the balance sheet at 30th April 1981 on which we have been unable to obtain our own assurances as the accounting records were destroyed in the fire.

No audited accounts have been prepared in respect of any financial period since 31st October 1985.

Yours faithfully,
Arthur Andersen & Co.
Chartered Accountants.

STATUTORY AND GENERAL INFORMATION

1 The Company and its share capital

(a) The Company, whose principal place of business is at 41 Great Pulteney Street, London W1R 3DE, was incorporated in England under the Companies Acts 1948 to 1976 as a private company on 29th February 1980 with number 1482152 under the name Kitefly Limited and on 4th July 1980 the name of the Company was changed to Gold Greenlees Trott Limited. The principal objects for which the Company was established, as set out in Clause 4 of its Memorandum of Association, are to act as the holding and co-ordinating company of the Group and to carry on the business of advertising agents.

(b) On 19th August 1983 the Company allotted credited as fully paid by way of capitalisation of reserves 72,000 Ordinary "A" Shares of £1 each and 8,000 Ordinary "B" Shares of £1 each to existing shareholders. On 17th January 1984 the Company resolved to remove the distinction between the "A" shares which carried rights of pre-emption and the "B" shares which carried no such rights and thereafter all the Ordinary Shares ranked *pari passu inter se*.

(c) On 14th February 1986 the Company was re-registered as a public company under the *Companies Act 1985 with its present name.*

(d) Immediately prior to 27th February 1986 the authorised share capital was £250,000 comprising 250,000 Ordinary Shares of £1 each of which 100,000 had been issued and were fully paid. On 27th February 1986 by or pursuant to a special resolution:

- (i) the authorised share capital of the Company was increased to £595,750 by the creation of an additional 345,750 Ordinary Shares of £1 each;
- (ii) each Ordinary Share of £1 was sub-divided into 20 Ordinary Shares of 5p each; and
- (iii) 6,000,000 new Ordinary Shares were allotted, credited as fully paid, to the existing shareholders by way of a capitalisation of reserves.

(e) By or pursuant to a special resolution passed on 28th February 1986 and conditionally on the Council of The Stock Exchange granting a listing for the Ordinary Shares issued and now being issued and the listing becoming effective not later than 31st March 1986, 660,000 new Ordinary Shares were allotted to James Capel & Co. at a price of 165p per share.

(f) Save as disclosed in this paragraph and paragraphs 2 and 5 below, within the three years preceding the date of this document:

- (i) there has been no alteration in the share capital of the Company.
- (ii) no share or loan capital of the Company or of its subsidiary has been issued or agreed to be issued for cash or otherwise;
- (iii) except pursuant to the Offer for Sale Agreement referred to in paragraph 6 below, no commissions, discounts, brokerages or other special terms have been granted by the Company or by its subsidiary in connection with the issue or sale of any share or loan capital; and
- (iv) no capital of the Company or of its subsidiary is under option or agreed conditionally or unconditionally to be put under option and the Company does not have any outstanding convertible debt securities.

(g) Following the Offer for Sale, 2,383,000 Ordinary Shares will remain unissued and *uncommitted but, except as mentioned in paragraph 5 below, there is no present intention* to issue any of the authorised but unissued share capital of the Company and, save with the prior approval of the members in general meeting, no issue of shares will be made which would effectively alter the control of the Company or the nature of its business and no material issue of shares (other than to shareholders *pro rata* to their existing shareholdings) will be made within one year of the date of this document.

2 Subsidiary

(a) The Company has one subsidiary, namely its wholly-owned operating subsidiary, Gold Greenlees Trott Advertising Limited ("the subsidiary"). The subsidiary was incorporated in England under the Companies Act 1985 as a private company on 27th August 1985 under the name Iconwell Limited with an authorised share capital of £1,000 of which two ordinary shares of £1 were held nil paid by the subscribers to the Memorandum and Articles of Association. These two shares were subsequently paid up in cash at par. The principal object of the subsidiary, as set out in Clause 3 of its Memorandum of Association, is to act as advertising agents. The name of the subsidiary was changed to its present name on 10th December 1985. Its registered office is the same as that of the Company.

(b) On 19th September 1985 the authorised share capital of the subsidiary was increased to £100,000 by the creation of an additional 99,000 ordinary shares of £1 each.

(c) On 31st January 1986 the subsidiary issued and allotted 99,998 ordinary shares of £1 each to the Company, credited as fully paid, as consideration for the transfer to it, pursuant to contract 8(b) below, of the trade and certain of the assets and liabilities of the Company.

(d) Save as aforesaid there have been no other alterations to the share capital of the subsidiary since its incorporation.

3 Articles of Association

The Articles of Association adopted on 28th February 1986 and certain resolutions of the Company passed on that date together provide as follows:

Share Capital

(a) The authorised share capital of the Company may be increased by ordinary resolution and reduced by special resolution.

(b) The Directors are authorised:

- (i) until 31st March 1986 to exercise the Company's powers to allot 660,000 Ordinary Shares, as mentioned in paragraph 1(e) above, as if section 89(1) of the Companies Act 1985 did not apply to such allotment;
- (ii) until 27th February 1991 to exercise the Company's powers to allot, grant options over or otherwise deal with the Ordinary Shares up to an aggregate nominal amount of £162,750; and
- (iii) pursuant to section 95 of the Companies Act 1985 to allot equity securities pursuant to the authority mentioned in the preceding sub-paragraph as if section 89(1) of that Act did not apply to such allotment.

(c) All the issued Ordinary Shares are in registered form.

(d) The Directors may decline to register a transfer of any share (not being a fully paid share).

(e) The Ordinary Shares rank *pari passu* to share in the profits and, in the event of liquidation, in any surplus assets on a return of capital.

(f) A shareholder may be disenfranchised where he, or a person appearing to be interested in shares, fails to comply with a notice from the Company requiring him to indicate the capacity in which he holds such shares or any interest in them.

Votes of Members

Subject to any rights or restrictions as to voting attached to any class of shares, at any general meeting every member who (being an individual) is present in person or (being a corporation) is present by duly authorised representative or proxy shall, on a show of hands, have one vote and on a poll every member shall have one vote for every share of which he is a holder.

Variation of Rights

In the event of the share capital being divided into different classes of shares, all or any of the rights or privileges attached to any class of share (or some only of the shares of any class which shall be treated as forming an entirely separate class) may, whether or not the Company is being wound-up, be varied or abrogated (a) in such a manner (if any) as may be provided by such rights, or (b) in the absence of any such provision, either with the consent in writing of the holders of at least three quarters of the nominal amount of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class, but not otherwise.

Directors

(a) A Director shall not be entitled to vote in respect of any contract or arrangement in which he directly or indirectly has a material interest (other than the appointment of himself or any other Director to any office or place of profit under the Company and the terms of any such appointment) and shall not be counted in reckoning whether a quorum is present at any meeting whereat any such matter is considered or decided. However, a Director shall be entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters:–

- (i) the giving of a guarantee, security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (iii) a proposal concerning an offer for shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which either he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (iv) any proposal concerning any other corporation in which he is interested directly or indirectly whether as an officer or a shareholder or otherwise howsoever, provided that he (together with any persons connected with him within the meaning of section 346 of the Companies Act 1985) is not the holder or beneficially interested in 1% or more of any class of the equity share capital of such corporation (or of any third corporation through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for these purposes to be a material interest in all the circumstances);
- (v) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefit scheme under which he may benefit and which has been approved by and is subject to and conditional upon approval by the Board of the Inland Revenue for taxation purposes; and
- (vi) any proposal concerning the adoption, modification or operation of any employees' share scheme within the meaning of section 743 of the Companies Act 1985 under which he may benefit and which has been approved by and is subject to and conditional upon approval by the Board of Inland Revenue for taxation purposes which relates both to Directors and employees and does not accord to any Director any such privilege or advantage not generally accorded to the employees to whom such scheme relates.

(b) The provisions of section 293 of the Companies Act 1985 (retirement of Directors at the age of 70) do not apply to the Company.

(c) The Directors shall for their services as Directors be entitled to such annual remuneration as they may determine. Any Director who by request performs special services or goes or resides abroad for any purposes of the Company may receive such extra remuneration by way of lump sum, salary, commission, percentage of profits or otherwise as the Directors may determine.

(d) The Directors may from time to time appoint one or more of their body to the office of Managing Director, Joint Managing Director, Executive Director or to any other office or employment in relation to the management of the business of the Company as they may decide either for a fixed term or without any limitation to the period which he or they is or are to hold such office, and may from time to time (subject to the provisions of any service contract between him and the Company and without prejudice to any claim for damages he may have for breach of any service contract) remove or dismiss him or them from such office and appoint another or others in his or their place or places.

(e) At every Annual General Meeting, one third of the Directors who are subject to retirement by rotation, or as near thereto as maybe, shall retire from office. If there is only one Director who is subject to retirement by rotation he shall retire. A retiring Director shall be eligible for re-appointment. Executive Directors are not required to retire by rotation.

(f) No shareholding qualification is required by a Director.

Borrowing Powers
The Directors may exercise all the powers of the Company to borrow or raise money, and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue debentures, debenture stock and other securities. The Directors shall restrict the borrowing of the Company and exercise all voting and other rights and powers of control exercisable by the Company in respect of its subsidiaries so as to ensure (as regards its subsidiaries so far as by such exercise it can so ensure) that the aggregate amount for the time being outstanding in respect of the monies borrowed or secured by the Group (exclusive of monies owing by one member of the Group to another) shall not at any time without the previous sanction of the Company in general meeting exceed an amount equal to three times the Adjusted Capital and Reserves (as defined in the Articles).

Dividends
All dividends unclaimed for twelve years after having been declared shall, if the Board so resolves, be forfeited and shall revert to the Company.

4 Directors' and other interests
(a) Immediately following the Offer for Sale, the holdings (all of which are beneficial except those of E A Emerson who holds shares as one of the trustees of certain of the Directors' settlements) of the Directors and their families, as they will appear in the Register maintained under the provisions of the Companies Act 1985, will be as follows:

Directors	Before the Offer for Sale: Ordinary Shares held	Percentage	After the Offer for Sale: Ordinary Shares held	Percentage
M D Gold	2,413,280	30.17	1,645,400	19.00
M E Greenlees	2,413,280	30.17	1,645,400	19.00
D J Trott	2,413,280	30.17	1,732,000	20.00
E A Emerson	—	—	—	—

The Founding Directors will not apply for any shares under the Offer for Sale.

(b) Save as aforesaid, the Directors are not aware of any holdings which would represent five per cent or more of the Company's issued share capital. There are, in so far as the Directors are aware, on persons, save for the Founding Directors, who directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

(c) The following is a summary of the service contracts of the Founding Directors entered into on 28th February 1986. The contracts are terminable, by either party, on the giving of twelve months notice expiring on or after the earliest expiry date:–

Directors	Earliest Expiry Date	Initial Annual Salary £
M D Gold	27th February 1991	60,000
M E Greenlees	27th February 1991	60,000
D J Trott	27th February 1991	60,000

Salaries are reviewed annually as at 1st May.

(d) The Company has in each of the past three years paid £50,000 by way of contribution to a self administered pension scheme for the benefit of the Founding Directors and one director of the subsidiary.

(e) There are on outstanding loans granted by the Company or the subsidiary to the Directors or any guarantees provided by the Company or the subsidiary.

(f) Save as disclosed in sub-paragraph (b) and in paragraph 6 below no Director has any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company or its subsidiary and which were effected by it

(i) during the current or immediately preceding financial year, or
(ii) during an earlier financial year and which remain in any respect outstanding or unperformed.

(g) E A Emerson will receive a fee of £8,000 per annum in his capacity as a non-executive Director of the Company.

(h) E A Emerson is a director of London Bridge Finance Limited, a subsidiary of Hill Samuel & Co. Limited, with which the Group has a credit protection agreement.

5 Share Schemes
Employee Share Option Scheme
On 21st December 1984 the Company introduced an Employee Share Option Scheme for which approval, in its amended form, was obtained from the Board of the Inland Revenue on 25th February 1986. The scheme empowered a committee of the Board of the Directors of the Company ("the board") to put under option up to 10.9% of the Ordinary share capital of the Company from time to time in issue. On 31st May 1985 the Company granted options under the scheme for 4,500 of its Ordinary Shares of £1 each being 4.5 per cent. of its then issued Ordinary Shares. The option exercise price for each of those shares was £23. On 21st February 1986 the scheme was amended by an ordinary resolution of the Company. Further options were granted on 27th February 1986 over 6,400 Ordinary Shares of £1 each being 6.4 per cent. of the then issued Ordinary share capital of the Company to employees of the Group the option exercise price of each of these shares being £132 bringing the total percentage of the issued Ordinary share capital already put under option by that date to 10.9 per cent. of the then issued Ordinary share capital of the Company.

Following the capitalisation issue and sub-division of the Ordinary Shares referred to in paragraph 1(d) above the board resolved to adjust the number of Ordinary Shares put under option under the scheme to 360,000 and 312,000 respectively and the option exercise prices to £0.2875 and £1.65 respectively. The auditors have confirmed in writing that such adjustment is in their opinion fair and reasonable. Approval of such adjustment is currently being sought from the Board of the Inland Revenue.
On 27th February 1986 the Company resolved to terminate the scheme with immediate effect.

Profit Sharing Scheme
The Company has introduced an Employee Profit Sharing Scheme pursuant to the provisions of the Finance Act 1978 (as amended). The scheme was adopted by the Company in general meeting on 28th February 1986 subject to such changes as are necessary to secure the approval of the scheme by the Board of the Inland Revenue. The scheme will be governed by a trust deed to be entered into and the trustees of the scheme are to be R M Alexander (independent trustee) and M D Gold, M E Greenlees and D J Trott (collectively "the Trustees").

The main provisions of the scheme are as follows:–

(i) All full-time employees and Directors of the Group, as defined therein, who have been in the employment of the Group for at least six months prior to the date on which the money is to be provided by the Company to the Trustees for the purpose of the scheme and who work a minimum of 25 hours per week are eligible to participate in the scheme. No payment is required from participants.

(ii) The amount of funds available for appropriation to the scheme for any accounting period will be such sum as may be determined by the Directors, provided that:
(a) the total amount of funds made available for acquisition or subscription in any accounting period may not exceed 5 per cent. of the profit before tax and extraordinary items of the Group for that accounting period;
(b) the maximum number of Ordinary Shares of the Company which may be issued in respect of any one accounting period under the scheme and any other profit sharing scheme from time to time operated by the Company may not exceed 0.5% of the issued Ordinary share capital of the Company on the day immediately preceding the proposed subscription of the Company's shares;
(c) the maximum number of Ordinary Shares which may be issued during the life of the scheme shall not exceed 86,600 Ordinary Shares (being 1% of the issued Ordinary share capital of the Company immediately following this Offer for Sale). The limit on the number of shares available for issue under the scheme may be adjusted by the board in the event of any capitalisation, rights issue, consolidation, sub-division or reduction in share capital subject to the auditors' confirmation in writing that such adjustment is in their opinion fair and reasonable.
(d) The maximum value of Ordinary Shares which may be appropriated to any individual participant in any financial year shall not exceed the lesser of:
— £5,000, and
— the greater of £1,250 and 10% of a participant's gross emoluments in the tax year concerned (or, if greater, in the immediately preceding tax year) or such other statutory limit as may replace the current limit.

(iii) Subject to the total amount of funds available, there is on limit on the number of the Ordinary Shares which may be purchased by the Trustees of the scheme as opposed to shares for which they may subscribe.

(iv) The provisions of the scheme may be altered by supplemental trust deed between the Company and the Trustees, provided that no such alteration may be made without the prior approval of the Board of Inland Revenue.

(v) All Ordinary Shares acquired under the Scheme by subscription shall be credited as fully paid and shall rank pari passu in all respects with the other issued Ordinary Shares, save that they shall not rank for any dividend in respect of the profits of the Group before tax and extraordinary items which funded their acquisition.

(vi) Shares acquired by the Trustees under the scheme will be held be them for a minimum period of two years or (if shorter) the period to the date of the death, the attainment of statutory pensionable age or cessation of employment be reason of redundancy, injury or disability of the participant during which time they may not be sold. For the following three years the Trustees will, unless the participant concerned wishes to dispose of the same, retain such shares and will thereafter if the participant so requests transfer the same to the participant.

6 Issue arrangements
(a) Under contract 8(c) below James Capel & Co. has agreed conditionally on the listing for the Ordinary Shares issued and now being issued becoming effective not later than on 31st March 1986:

(i) to subscribe in cash for 660,000 Ordinary Shares at 165p per share (including 160p per share by way of premium);
(ii) to purchase from the vendors named therein a total of 2,340,080 Ordinary Shares at 161.205p per share; and
(iii) to offer the resulting total of 3,000,080 Ordinary Shares for sale to the public at 165p per share.

(b) Under this contract the Company will pay a fee to James Capel & Co. and underwriting commissions of 2% on the price at which James Capel & Co. are subscribing for the Ordinary Shares referred to in (a)(i) above. James Capel & Co. will pay sub-underwriting commissions of 1¼% on the price at which the 3,000,080 Ordinary Shares are being offered for sale to the public. The Company will pay all other expenses of or incidental to the Offer for Sale and the transactions associated therewith. The expenses payable by the Company, including all legal and accountancy fees, are estimated to amount to £550,000 exclusive of value added tax.

(c) Each of the Founding Directors has undertaken with James Capel & Co. that he will not dispose of any Ordinary Shares without the prior written agreement of James Capel & Co. before 28th August 1987, such consent not to be unreasonably withheld.

7 Taxation
(a) For accounting periods to 30th April 1985 the Company has been a close company as defined in the Income and Corporation Taxes Act 1970. The Directors have been advised that immediately following the Offer for Sale, the Company will be a close company for tax purposes.

(b) The Inland Revenue have agreed all the corporation tax computations of the Company for all relevant periods to 30th April 1985, subject to approval by the Superannuation Funds Office of the Inland Revenue of the pension scheme referred to in paragraph 4(d) above. They have also confirmed that the shortfall provisions contained in Schedule 16 Finance Act 1972 will not be applied against the Company for those periods. Clearance has also been obtained under section 464 Income and Corporation Taxes Act 1970 in respect of the Offer for Sale and the reconstruction carried out in January 1986 in preparation for it. Under contract 8(c) below the Founding Directors have given certain warranties and indemnities, including appropriate indemnities in respect of income tax, corporation tax and capital transfer tax liabilities.

(c) When paying a dividend, the Company has to remit to the Inland Revenue an amount of advance corporation tax ("ACT") at a rate which is related to the basic rate of income tax and is currently 3/7ths of the dividend paid. Accordingly, the ACT related to a dividend currently equals 30% of the sum of the cash dividend plus the ACT.

For shareholders resident in the UK, the ACT paid is available as a tax credit, which individual shareholders who are so resident may set off against their total income tax liability or, in appropriate cases, reclaim in cash. A UK resident corporate shareholder will not be liable to UK corporation tax on any dividend received.

Whether holders of shares in the Company who are resident in countries other than the UK are entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on such shares depends in general on the provisions of the double tax convention or agreement (if any) which exists between the UK and such countries. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming payment and what relief or credit may be claimed in the jurisdiction in which they are resident for such tax credit.

(d) The Company assumes responsibility for any withholding of tax at source.

8 Material contracts
The following contracts (not being contracts entered into in the ordinary course of business) have been entered into since 28th February 1984 and are or may be material:

(a) dated 19th July 1985 between Speyhawk Land and Estates Limited (1), the Company (2) and Speyhawk plc (3), being the Agreement for Lease and the Lease relating to St. Anne's Court as mentioned in paragraph 9 below;

(b) dated 31st January 1986 between the Company (1) and its subsidiary (2) being the Agreement for the transfer of the trade and certain of the assets and liabilities of the Company as mentioned in paragraph 2(c) above; and

(c) dated 28th February 1986 between the Directors (1), the Company (2), the vendors named therein (3) and James Capel & Co. (4), being the Offer for Sale Agreement mentioned in paragraphs 6 and 7 above.

9 Premises
The Group holds leases of the following office premises:

Property	Term of Lease	Annual Rent	Approx net floor area
Part ground, 1st, 2nd & 3rd floors, 41 Great Pulteney St, London W1	25 years from 29.9.1979	£101,000 (subject to reviews every 5 years)	8,300 sq ft
Ground floor, 33-34 Great Pulteney St & 8 and 9 Bridle Lane, London W1†	10 years from 24.6.1984 (subject to lessee's option to terminate)	£24,000 (subject to review on 24.6.1989)	2,800 sq ft
St. Anne's Court, Dean St, London W1††	25 years from 25.12.1985	£325,000 (subject to measurement review following completion of works and there-after subject to rent reviews every 5 years)	20,000 sq ft

† The Company has served notice exercising its option to terminate this lease as from 17th July 1986.
†† As work is still being carried out at the premises practical completion has not taken place and no rent is yet payable. The Company expects to move all of the Group's operations to St. Anne's Court in or about May 1986. The Company has the benefit of a lease, at a peppercorn rent, of some 24 car parking spaces for the term of the Lease of St. Anne's Court.

10 Working capital
The Directors are of the opinion that, taking account of the net proceeds of the Offer for Sale receivable by the Company, the Group will have sufficient working capital for its present requirements.

11 Material changes
Save as disclosed in this document there has been no material change in the trading or financial position of the Group since 31st October 1985 (the date to which the latest audited accounts have been made up).

12 Miscellaneous
(a) The financial information contained in this document does not constitute full individual statutory accounts within the meaning of section 254 of the Companies Act 1985. Full individual statutory accounts relating to each of the periods to 30th April 1985 mentioned in the Accountants' Report have been delivered to the Registrar of Companies. The auditors have made a report under section 236 of the Companies Act 1985 in respect of each set of accounts and each such report was, except as mentioned in the Accountants' Report, an unqualified report within the meaning of section 271 of the Companies Act 1985.

(b) Neither the Company nor its subsidiary is engaged in any litigation or arbitration proceedings which, in the opinion of the Directors, may have or have had in the previous twelve months a significant effect on the Group's financial position nor are the Directors aware of any such proceedings pending or threatened against the Company or its subsidiary.

(c) The Directors are of the opinion that the Company and its subsidiary carry reasonable insurance cover for all major risks facing them which would be expected to be the subject of insurance cover. The Company has taken out key-man insurance cover on the lives of the Founding Directors in substantial sums.

(d) The aggregate emoluments, including benefits in kind, but excluding pension contributions, of the Directors in respect of the year ending 30th April 1985 were £141,524 and in respect of the year ending 30th April 1986, under the arrangements in force at the date of this document, are estimated to be £173,000.

(e) Arthur Andersen & Co. has given and has not withdrawn its written consent to the issue of this document with its Accountants' Report and letter included herein in the form and context in which they appear.

(f) James Capel & Co. has given and not withdrawn its written consent to the issue of this document with the inclusion herein of its letter and references thereto and to itself in the form and context in which they appear.

(g) The proceeds of the Offer for Sale receivable by the Company after deducting the estimated expenses are expected to amount to £539,000.

13 Documents available for inspection
The following documents or copies thereof will be available for inspection at the offices of Herbert Smith & Co., Watling House, 35-37 Cannon Street, London EC4M 5SD during normal business hours on any weekday (excluding Saturdays and public holidays) until 13th March 1986:–

(a) the Memorandum and Articles of Association of the Company;

(b) the audited accounts of the Company for the two financial years ended 30th April 1984 and 1985 and the audited accounts of the Company for the six months ended 31st October 1985;

(c) the report of Arthur Andersen & Co. and the statement of adjustments made by them in arriving at the figures set out therein;

(d) the rules of the Employee Share Option Scheme and a draft of the trust deed constituting the Profit Sharing Scheme referred to in paragraph 5 above;

(e) the written consents referred to in paragraph 12 above;

(f) the documents referred to in paragraphs 4(c) and 8 above; and

(g) the letters relating to the profit forecast.

Dated 28th February 1986

TERMS AND CONDITIONS OF APPLICATION

(a) The contract created by the acceptance of applications in the manner herein set out will be conditional upon the whole of the Ordinary share capital of Gold Greenlees Trott plc ("the Company"), issued and to be issued, being admitted to the Official List of The Stock Exchange and such admission becoming effective in accordance with Stock Exchange rules not later than 31st March 1986. If James Capel & Co. ("James Capel") rescinds the Offer for Sale Agreement referred to in paragraph 8 (c) of the Statutory and General Information in the Listing Particulars relating to the Company dated 28th February 1986 ("the Listing Particulars") in accordance with its terms, the said contract will also be rescinded without liability. Application moneys will be returned (without interest) if such admission does not become effective by that date or if such rescission occurs and, in the meantime, will be retained by Midland Bank plc, Stock Exchange Services Department, in a separate account.

(b) James Capel reserves the right to reject in whole or in part or to scale down any application and, in particular, multiple or suspected multiple applications and to present for payment any cheques or banker's drafts received. If any application is not accepted in whole or in part or is scaled down or if any contract created by acceptance does not become unconditional, the application moneys or, as the case may be, the balance thereof will be returned (without interest) by returning the applicant(s)' cheque or banker's draft or by crossed cheque in favour of the applicant(s) through the post.

(c) By completing and delivering an Application Form, you (as the applicant(s)):
(i) offer to purchase the number of Ordinary Shares in the Company ("Ordinary Shares") specified in your Form (or any smaller number for which the application is accepted) at the Offer for Sale price subject to the Listing Particulars, these terms and conditions and the Memorandum and Articles of Association of the Company;
(ii) authorise Midland Bank plc, Stock Exchange Services Department, to send on behalf of James Capel a Letter of Acceptance for the number of Ordinary Shares for which your application is accepted, and/or a crossed cheque for any money returnable, by post to your address (or that of the first-named applicant) as set out in your Application Form and to procure that your name (together with the name(s) of any other joint applicant(s)) is/are placed on the Register of Members of the Company in respect of such Ordinary Shares the entitlement to which has not been duly renounced;
(iii) agree that, in consideration of James Capel agreeing that it will not prior to 15th March 1986 sell any of the Ordinary Shares the subject of the Offer for Sale to any person other than by means of the procedures referred to in the Listing Particulars, your application may not be revoked until after 21st March 1986 and that this paragraph constitutes a collateral contract between you and James Capel which will become binding upon despatch by post to or, as the case may be, receipt by Midland Bank plc, Stock Exchange Services Department, of your Application Form;
(iv) warrant that your remittance will be honoured on first presentation;
(v) agree that any Letter of Acceptance and any money returnable to you may be retained by Midland Bank plc, Stock Exchange Services Department, pending clearance of your remittance;
(vi) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer for Sale will be governed by and construed in accordance with English law;
(vii) warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so; and
(viii) confirm that in making such application you are not relying on any information or representation in relation to the Company or its subsidiary other than those contained in the Listing Particulars and you accordingly agree that on person responsible solely or jointly for the Listing Particulars or any part thereof will have any liability for any such other information or representation.

(d) Acceptance of applications will be effected at the election of James Capel either by notification of the basis of allocation to The Stock Exchange or by the determination of the number of Ordinary Shares for which application is accepted pursuant to the arrangements between James Capel and Midland Bank plc, Stock Exchange Services Department.

(e) All documents and cheques sent by post will be at the risk of the person(s) entitled thereto.

(f) No person receiving a copy of the Listing Particulars, or an Application Form, in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such form could lawfully be used without contravention of any registration or other legal requirements. Any person outside the United Kingdom wishing to make an application hereunder must satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other requisite formalities, and paying any issue, transfer or other taxes due in such territory.

(g) The dates and times referred to in these terms and conditions may be altered by James Capel so as to be consistent with the Offer for Sale Agreement (as the same may be altered from time to time in accordance with its terms).

Copies of the Listing Particulars and the Application Form can be obtained during usual business hours from the Registered Office of the Company and from:
James Capel & Co.,
Winchester House, 100 Old Broad Street, London EC2N 1BQ
Midland Bank plc,
Stock Exchange Services Department, Mariner House, Pepys Street, London EC3N 4DA
and from the following branches of *Midland Bank plc* and *Clydesdale Bank PLC*
Midland Bank plc, Poultry and Princes Street, London EC2P 2BX
Midland Bank plc, 133 Regent Street, London W1A 4BQ
Midland Bank plc, 100 King Street, Manchester M60 2HD
Midland Bank plc, 130 New Street, Birmingham B2 4JU
Midland Bank plc, 49 Corn Street, Bristol BS99 7PP
Midland Bank plc, 4 Dale Street, Liverpool L69 2BZ
Midland Bank plc, 114 St. Mary Street, Cardiff CF1 1LF
Clydesdale Bank PLC, 29 George Street, Edinburgh EH2 2YN
Clydesdale Bank PLC, St. Vincent Place, Glasgow G1 2HL

PROCEDURE FOR APPLICATION
APPLICATION PRICE 165p PER SHARE

1 *Insert in Box 1 (in figures) the number of Ordinary Shares for which you are applying. Applications must be for a minimum of 200 Ordinary Shares or in one of the following multiples:*
- *for not more than 1,000 shares, in multiples of 200 shares*
- *for more than 1,000 shares, but not more than 5,000 shares in multiples of 500 shares*
- *for more than 5,000 shares, but not more than 10,000 shares, in multiples of 1,000 shares*
- *for more than 10,000 shares, but not more than 50,000 shares, in multiples of 5,000 shares*
- *for more than 50,000 shares, in multiples of 10,000 shares.*

Number of shares you are applying for	Amount you should pay
200	£330
400	£660
600	£990
800	£1,320
1,000	£1,650
2,500	£4,125
5,000	£8,250
10,000	£16,500
50,000	£82,500

2 *Insert in Box 2 (in figures) the amount of your cheque or banker's draft.*

3 *Sign and date the Application Form in Box 3.*

The Application Form may be signed by someone else on your behalf (and/or on behalf of any joint applicant(s)) if duly authorised to do so but the power(s) of attorney must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity must be stated.

4 *Insert your full name and address in BLOCK CAPITALS in Box 4.*

5 *You must pin a single cheque or banker's draft to your completed Application Form. Your cheque or banker's draft must be made payable to "Midland Bank plc" for the amount payable on application inserted in Box 2 and should be crossed "Not Negotiable".*

No receipt will be issued for this payment, which must be solely for this application.

Your cheque or banker's draft must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a member of the Cheque and Credit Clearing Company Limited or the Committee of Scottish Clearing Houses or which has arranged for its cheques and bankers' drafts to be presented for payment through the clearing facilities provided for the members of that company or that Committee (and must bear the appropriate sorting code number in the top right hand corner).

Applications may be accompanied by a cheque drawn by someone other than the applicant(s), but any moneys to be returned will be sent by crossed cheque in favour of the person(s) named in Box(es) 4 (and 6).

6 *You may apply jointly with other persons.*
You must then arrange for the Application Form to be completed by or on behalf of each joint applicant (up to a maximum of three other persons). Their full names and addresses should be inserted in BLOCK CAPITALS in Box 6.

7 *Box 7 must be signed by or on behalf of each joint applicant (other than the first applicant who should complete Box 4 and sign in Box 3).*

If anyone is signing on behalf of any joint applicant(s), the power(s) of attorney must be enclosed for inspection.

★ *You must send the completed Application Form together with the cheque or banker's draft by post, or deliver it by hand, to Midland Bank plc, Stock Exchange Services Department, Mariner House, Pepys Street, London EC3N 4DA so as to be received not later than 10.00 am on 7th March 1986.*

If you post your Application Form, you are recommended to use first class post and allow at least two days for delivery.
Photostat copies of Application Forms will not be accepted.

Basis of Acceptance and Dealing Arrangements
The Application List will open at 10.00 am on 7th March 1986 and will close as soon thereafter as James Capel & Co. may determine. The basis on which the applications have been accepted will be announced as soon as possible after the Application List closes. It is expected that Letters of Acceptance will be posted to successful applicants on 13th March 1986 and will be renounceable until 18th April 1986 and that dealings in the Ordinary Shares will commence on 14th March 1986.

Arrangements have been made for registration of all the Ordinary Shares now offered for sale, free of stamp duty and registration fees, in the names of purchasers or persons in whose favour Letters of Acceptance are duly renounced provided that, in cases of renunciation, Letters of Acceptance (duly completed in accordance with the instructions contained therein) are lodged for registration by 3.00 pm on Friday 18th April 1986. Share certificates will be despatched on 16th May 1986.

Up to a total of 300,000 Ordinary Shares will in the first instance be made available to meet applications from the employees of the Group on the preferential application forms available to them.

APPLICATION FORM

Offer for Sale by James Capel & Co. of 3,000,080 Ordinary Shares of 5p each in Gold Greenlees Trott plc at 165p per share, payable in full on application.

I/We offer to purchase from James Capel & Co. [ ] **1**

Ordinary Shares in Gold Greenlees Trott plc
(or any smaller number of shares for which this application is accepted) at 165p per share on the terms and subject to the conditions attaching to this application

and I/we attach a cheque or banker's draft for the amount payable, namely £ **2**

Dated March 1986 | Signature **3**

PLEASE USE BLOCK CAPITALS

Mr., Mrs., Miss or title | Forename(s) in full
Surname
Address in full
Postcode **4**

→ Pin here your cheque/banker's draft for the amount in Box 2 **5**

FOR OFFICIAL USE ONLY
1. Acceptance number
2. Shares allocated
3. Amount received £
4. Amount payable £
5. Amount returned £
6. Cheque number
7. Split/registrations

Fill in this section only where there is more than one applicant. The first or sole applicant should complete Box 4 and sign in Box 3. Insert in Box 6 the names and addresses of the second and subsequent applicants, each of whose signatures is required in Box 7.

PLEASE USE BLOCK CAPITALS

Mr. Mrs. Miss or title / Forenames	Mr. Mrs. Miss or title / Forenames	Mr. Mrs. Miss or title / Forenames
Surname	Surname	Surname
Address	Address	Address
Postcode	Postcode	Postcode

6

Signature	Signature	Signature

7

Imperial War Museum Galleries/William Packer

Drawings made in sweat and fear

Ronald Searle, though his work has appeared only intermittently in recent years, remains as secure as ever in his standing as the most distinguished English artist of his kind; the only true heir to that tradition of acute social observation, at once humorous and satirical, that comes down to us in English draughtsmanship in a direct line from Rowlandson and Gillray.

Younger satirists may seem to have taken over from him since the 1960s, prepared to outdo him in graphic bile, venom and sheer grotesquerie. Not one has matched his quality at any level, whether technical or imaginative. A sustained brilliance of graphic invention, allied to a deep and subtle understanding of humanity, both founded on the soundest of techniques, has given us not only the particular image of St Trinian's which has already *become part of the fabric of* the national mythology, but a more general picture of contemporary life that is both ludicrous and exact; infinitely variable, and immediately recognisable as his own.

But the trouble with funny drawings—and the funnier they are the more trouble—is that though the wit lies as much with the artists's line and touch as with his image and idea, all too often only the image is read. We laugh at the joke and, failing to see the art, are surprised that the artist does not keep his proper place in the order of things. Everyone should have known, from that mass of familiar work, that Ronald Searle could and would draw beautifully in the most straight-forward way. The evidence is clear in everything he has ever done.

In 1939, 19 years old, still at Cambridge School of Art, he volunteered for active service and joined the Royal Engineers some months before the actual declaration of war. Late in 1941, trained and equipped for desert warfare, his unit was sent overseas by way of the Cape to arrive in Singapore just in time for the capitulation to the Japanese early in 1942. There followed nearly 3½ years of captivity; first in Changi Barracks on Singapore Island, then *in the jungle of Siam* working on the Burma Railway on the River Kwai; and at last, back in Changi Gaol.

Through all his years as a soldier Searle continued to draw, filling his sketch-books at first with a somewhat desultory record of the incidents and intervals of army life in training and then on the circuitous three month voyage to the Far East; portraits of his fellows and the crew, vignettes and characters glimpsed ashore in Cape Town and Mombasa. With Singapore, the work changes abruptly and forever; not in terms of any graphic mannerism or approach, but of obvious circumstance.

"These pictures," Searle writes, "were not drawn with brushes made from human hair nor with blood replacing ink . . . But they were made with sweat, fear and, at the outset at least, wide-eyed noble intent . . . During my captivity I had, in a somewhat unimaginative and already ambitious way, convinced myself that my mission was to emerge . . . with a 'significant' pictorial record . . . these drawings were not made by an observer-reporter with time to reflect and digest before pronouncing . . .

"Much of the time I was either too tired, too ill, or too cowardly to take the risk of being seen drawing. Towards the end I really did not dare and I almost did not care to imagine that there might be a chance of getting out alive with what, by then, amounted to some three or four hundred drawings and several notebooks, much of it compromising."

This material is now lodged with the Imperial War Museum, where a small selection from it is now on view in the two small galleries that are all that remain to serve one of the largest and most remarkable collections of British 20th century art.

The exhibition opens officially to the public on Thursday and runs until July 6. It takes in the full scope of Searle's work: the early years very briefly, the voyage out rather more fully; the substance to the captivity.

The descriptions of actual incidents in that life—what Searle calls his "snapshots" that were later worked up upon an immediate rough notation—are perhaps the most striking images. They range from the early drawings of triumphant Japanese on the streets of Singapore, lording it over their bedraggled captives, sticking the heads of recalcitrant Malays on poles *pour encourager les autres*, through the roll-call beatings-up in the work camps and the labour gangs on the railway, to the final days back in Changi. These last show groups of limbless prisoners standing about, and aircraft flying overhead to drop news of the end of the war.

But the most potent and poignant works are those quieter in their imagery, yet more directly objective; the portrait and figure studies, from life, of both prisoners and their guards — suffering, sick and even dying on the one hand, inscrutable on the other.

In these, more than in any of the others, the reality of shared circumstance and mutual relationship is caught. By this, Searle brings together not stock figures and crude archetypes, but real people, individual beings of flesh and blood.

Certain faces stare out at us to haunt the imagination: a desperate, unshaven face just out of solitary confinement; Searle's own bespectacled face and gaunt figure somewhere in the Thailand jungle in the summer of 1943. Sick comrades lie listlessly on their bunks. A Japanese guard, seen in profile in the most fully realised of the water-colours, dozes lightly.

It was not drawing as such that was forbidden, but only — only — the making of a true record of events. Guards would sit for him. In a bizarre encounter towards the end, the prison administrator, Captain Takahashi, even made him a furtive present of materials.

From September 1944 the prisoners in Changi were allowed to produce a magazine, Exile. It ran to 10 issues, of which nine are in the museum. Each issue consists of a single copy typed out, illustrated, and bound, to be passed from hand to hand around the camp.

Searle was responsible for almost all the visual content of cartoons and incidental illustrations. This supplies an extraordinary counter to the personal, especially the covert work. Gleeful, often wildly surrealistic, here Searle's comic genius that we know so well springs upon us fully formed. That it could do so in such circumstances is in its own way another tribute to the resilience of the human spirit.

There is no catalogue to the show. Most of it, and much more besides, is admirably reproduced in To the Kwai — and Back by Ronald Searle (published by Collins and the Imperial War Museum: 192 pages 195 illustrations; £15). It contains a short explanatory introduction by Searle, and his running laconic commentary upon drawings which speak powerfully for themselves.

In the short corridor off the galleries hang the *War Portraits* by Laura Knight (until July 20), an artist too much neglected. She worked on the Home Front for the War Artists' Committee. Each one of these paintings is remarkable.

"Prisoner with a Pipe," 1943.

Mask of Time/Festival Hall

Andrew Clements

Michael Tippett, the constantly developing, ever acquisitive composer, never seemed likely to write the totally unflawed masterwork in which every *element fell* exactly into place. His art relies too much on creative friction, on the elements *not* making a precise fit; the sum of his best works has always been much greater than their individual components, so that imperfectly realised ideas are given an emotional and intellectual charge which lifts them on to an entirely different plane.

What one did not expect *was* that *Tippett's* indefatigably inquiring mind would ever contemplate taking-stock, marshalling and refining the experiments and explorations of the past 20 years and moulding them into a work without loose ends that, instead of breaking new ground, would reassert and intensify his complex and variegated musical language. *The Mask of Time* is that unpredicted synthesis, a retrospective of his achievement cast in monumental form. From the evidence of the Fourth Piano Sonata and what is known about the character of the forthcoming fifth opera we know that Tippett's music has not stopped evolving in *The Mask of Time*, though it did pause for breath.

In the Festival Hall the BBC Symphony Orchestra and Chorus under Andrew Davis presented the second British performance of Tippett's "Music for voices and instruments." It was Davis who conducted the British premiere to open the Proms in 1984, an account described here by Max Loppert as "noble and authoritative," and his control of the vast forces is still formidably impressive. Two soloists, the bass John Cheek and the sublime soprano Faye Robinson, remain from both that performance and the Boston world premiere; here they were joined by the mezzo Sarah Walker and by Robert Tear, whose familiarity with Tippett's operas, and our *familiarity of* him in those roles, created yet another set of resonances.

While there are some passages that strike the ear as quite new—particularly some remarkable organum-like instrumental interludes — the basic response emanates from hearing a familiar vocabulary heightened and enriched: here is music from the Fourth Symphony making an immeasurably greater *impact* than it did in its original context; the cartoon characterisation of the third act of *The Knot Garden* given a new dramatic dimension; the intense blues finale of the Third Symphony raised to a new emotional peak. (Miss Robinson was deeply moving in this music, in the section entitled "Hiroshima Mon Amour.")

It remains marginally uneven. The third, "Jungle" section still fails to convince, not so much now because of its naive choral jabberings, as from the recalcitrant texts that Tippett allots to his soloists; in the Festival Hall's vividly forward acoustic some of the choral writing took on an ecstatic insistence, so that the real climaxes just failed to make their points. Still, though, a thrilling experience; for those who have followed Tippett for the last two decades it must engender the kind of reaction an earlier generation of supporters felt when *The Midsummer Marriage* was first performed. What is desperately needed now is for the work to be recorded—apparently more money needs to be found before that can happen. But few works of the 10 years, surely, deserve to endure on record as patently as this.

Bruno Leonardo Gelber/Wigmore Hall

Dominic Gill

The Argentinian pianist Bruno Leonardo Gelber made a splash in the early 1970s with some big, weighty performances of the popular concerto repertory and some solid *solo* recitals; but since then appearances in London have been less frequent. He returned to the Wigmore Hall on Saturday evening with a programme of Beethoven sonatas.

His playing still has the same virtues of clarity and directness: there is no fussing around in Gelber's Beethoven, no oddball mannerism or pedantic expressive nuance to take on board with the music. It is all very clear and very straight—so straight indeed that everything he plays tends to sound as if it had been prepared with roughly the same materials from an identical pattern, solid and straightened out, with nice crisp corners and easy-to-hear melodies, but with very little below or beyond the surface of the notes.

The sonority especially is little varied, predominantly top-noted, and predominantly loud. We did not hear, I think, a single true *piano* dynamic, let alone a *pianissimo*, during the whole of Mr Gelber's recital; but of *forte* to *fortissimo* we heard a great deal. His expressive too is obstinately middle-range; a genial, down-to-earth, bluntly honest sort of point-making which shies away at crucial moments from any more intimate or pungent contact with the music.

He played two early Beethoven sonatas, and two from the middle period. It was not that his readings were anything but decent, coherent, cogent—they were all of them well worked, and they rarely put a finger wrong. But there was never anything in them either that was truly surprising or original; the focus was consistently broad enough, and the detail of the interpretations consistently general enough, to allow the music to pass by without leaving any kind of individual mark.

It was in the slow movements that Gelber's directness more often came across as merely blunt: the adagio of Op 10 No 1 was a model of how to play the notes without touching more than the elegant skin of their surface. His account of the great adagio of the C major sonata Op 2 No 3 quite simply made prose, recognisable but in pianistic terms unmistakably prose-style, of one of Beethoven's greatest early keyboard poems.

Borodin Quartet/Elizabeth Hall

Dominic Gill

The Borodin Quartet were joined in their continuing Shostakovich cycle on Sunday afternoon by Peter Donohoe for the piano quintet. The hall this time was nearly full: news is getting round.

It was a gentle, magical account of the quintet: the Prelude less grandly austere than it can sometimes be, and Fugue given by the strings (in its opening and closing sections) perfectly *non vibrato*, darkly and very slowly, as if proposing the deepest mystery. There was an afternoon lushness to the sound which found its way even into the bounce of the scherzo; the finale rose and fell in tranquil waves.

For most listeners the complete cycle of 15 Shostakovich quartets breaks unfamiliar ground at some point in the sequence; and one of its many joys will be to discover just how varied, original and unpredictable that sequence is. The ninth quartet of 1964 is a late work, but fits into no convenient "period" category—a single span of five movements linked by a tiny melodic motif, alive with surprising twists.

The Borodin's performance was the most arresting I have heard, underpinned by a relentless forward momentum, coloured with marvellous subtlety and delicacy. The little scherzo was spun off like gossamer—breathtaking tour de force. Just one mark among a hundred others of the players' extraordinary technical command: the slow, almost imperceptible growth of density and dynamic throughout the first movement, a door slowly opened on the music.

A Respectable Wedding/King's Head

Michael Coveney

Brecht's short satirical farce, one of five one-acters he wrote quickly in 1919, is a bilious send-up of a wedding party that goes disastrously wrong: the bride's father drones on inappropriately about lavatories and dropsy, the guests row and flirt with each other, the bride is revealed to be pregnant and the home-made furniture crumbles in sympathy.

The author's low opinion of women and matrimony was matched only by his sexual appetite for them and concomitant meanness. At this time he had lately sired a bastard he wanted nothing to do with. Also his work was *strongly* influenced by the ebullient outlandish comic sketches and ballads of Karl Valentin whom he had met in Augsburg that year.

Die Kleinburgerhochzeit, first performed in 1926 in a boxing ring, published in 1966 (10 years after Brecht's death) and given an unforgettably brilliant production by Mike Ockrent at the Open Space in 1978, the British premiere, is thus of greater interest than its slight dramatic pedigree suggests.

Caroline Sharman's lunchtime production does not really take off. It settles for a sort of E. L. Wisty gallery of funny suburban voices, paints the actors faces a misleading Expressionist white and fails — although this is a fiendishly difficult aspect of the piece to manage — to make the cumulative collapse of chairs, table, and finally marriage bed (off-stage) actually funny.

The cast is drawn from Her Majesty's *Scarlet Pimpernel* revival, supporting and small part players emerging into the daylight with company and green room spirit intact. They play with vigour and aplomb, especially Alex Jennings as the bespectacled, simpering bridegroom (I am not sure this is right, however) with jacket sleeves just about covering his elbows; Charmian Gradwell as the bride and Sophie Winter, a delectable tease, as her sister; and Desmond Barrit as the drunken paternal bore.

The translation is that of Jean Benedetti, also used at the Open Space. The design of Howard Burden and Katie Aylieff encases the heaving table with a seemingly luxuriant canopy decked out with floral arrangements, and the costumes—calf-length dresses, bandannas and jewelled blouses for the ladies, pinstripes for the men—are fine.

Desmond Barrit as the Bride's father

Anita O'Day/Ronnie Scott's Club

Kevin Henriques

It is nine years since Anita O'Day last appeared at Ronnie Scott's Club in Soho. Her return (until next Saturday) is a timely reminder of her key position among top jazz singers.

Unlike their opera house and concert hall brothers and sisters, and despite performing their art in smokey, sometimes Turkish bath conditions, jazz singers tend to flourish well past their fifties. It is no secret that Anita O'Day is in her sixties. Her looks, her smart, attractive, "having fun"-platform persona, belie this irrelevant fact. More to the point, her husky, well-lived-in-voice still answers reliably (well, nearly always) the demands she makes upon it.

The standards of American popular music are her staple fare. Every one she tackles is an adventurous, risk-taking journey. To each she brings a quirky, intensely personal, sometimes mannered reading. She breaks up the structure and phrases of durable songs like "Love for Sale," "I Cried for You," and "Falling in Love with Love," in an entirely individual way; accenting, leaving spaces, inserting intervals. She performs, in this instance, as the fifth musician on the stand.

Devoted custodians of lyrics will probably be infuriated by her instrument-like approach; the words are sometimes not given their full value and meaning. Yet Anita O'Day *does* show consideration and respect for lyricists: exquisite versions (on Friday at least) of "Street of Dreams," one of her few ballad selections, and "Green Dolphin Street." On both she sang the rarely heard verses.

There is no denying, though, that she is at her exhilarating best in the fast work-outs where, at the sound of a cymbal, she indulges in sections of scatting where—to be honest—she is not always at her most secure. On these up-tempos she revels in interacting with her fellow musicians, joyously swapping phrases with her long-time drummer John Poole, and trying to extract similar reaction from British tenor-saxist Tommy Whittle. Alas, his baffling reticence in such a challenging situation erased the good impression left by his elegant, smooth playing when taking solo choruses.

Pianist Merrill Hoover, another O'Day associate for some years, is steady without being unduly interesting. The same can be said of British bassist Lennie Bush who completes the accompanying quartet.

Not for the first time at Scott's, a mix of local musicians with the regular accompanists of a visiting singer of exceptional musicianship does not come off. It is a tribute to Miss O'Day that her entrancing artistry dispels the reservations about her instrumental backing.

Chichester Festival Theatre jubilee

For its silver jubilee year, the Chichester Festival Theatre is offering five productions

The 1986 season opens with a gala first night on April 16 with Irving Berlin's musical *Annie Get Your Gun*

This is joined by Enid Bagnold's *The Chalk Garden* on May 7, with Dorothy Tutin and Googie Withers. Richard Briers stars in Vanbrugh's play *The Relapse*, opening on June 25, and Keith Michell will play Mr Rochester in Peter Coe's adaptation of Charlotte Bronte's novel *Jane Eyre*.

Finally, Frankie Howerd returns to his role as the slave Pseudolus in *A Funny Thing Happened on the Way to the Forum*.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Feb 28-Mar 6

Opera and Ballet

WEST GERMANY

Hamburg, Staatsoper: Der fliegende Holländer, starring Ingrid Bjoner and Theo Adam. Ariadne auf Naxos brings together Ingrid Bjoner, Yoko Kawahara and Toni Blankenheim. Boris Gudunov offered in concert version, has Rachel Joselson, Marjana Lipovek, Martti Talvela and Harald Stamm. Die Meistersinger von Nürnberg rounds off the week. (351151).

Frankfurt, Opera: La Bohème has guest conductor Alain Lombard, with Marion Vernette Moore as Mimi and Albert Cupido as Rudolfo. Hoffmann's Erzählungen, produced by Herbert Wernicke, features Sarah Arneson, Paula Page and William Cochran. Fidelio has Lia Frey-Rabine and Hermann Winkler (25621).

Cologne, Opera: The Magic Flute is in repertory and also Harry Kupfer's production of Katja Kabanova with Helga Dernesch and Josef Protschka. A lieder recital with Montserrat Caballe closes the week.

Stuttgart, Württembergisches Staatstheater: There are two performances of Otello this week with Gabriele Benackova-Cap, Bernd Weikl and Vladimir Atlantow. (20321).

München, Bayerische Staatsoper: Don Giovanni has Edita Gruberova, Trudeliese Schmidt, Thomas Allen and Kurt Moll. Un Ballo in Maschera has Makvala Kasrashvili and Carlo Cossutta in the main parts. Also Johanna auf dem Scheiterhaufen by Arthur Honegger.

PARIS

Paris Opera: La Traviata alternates with Cherubini's Medea conducted by Pinchas Steinberg in a new production by Liliana Cavani with Shirley Verrett/Dunja Vejzovic in the title role and Werner Hollweg as Jason. Also Tchaikovsky's Manfred choreographed by Rudolf Nureyev with the poet danced by Charles Jude/Jean Guizerix, the sister by Florence Clerc/Karin Averty and the Countess by Monique Loudières/Elisabeth Platel. (4266 5022).

Maurice Bejart's 20th century ballet continues, after Dionysos, with Le Baiser de la Fee to Stravinsky's music at the Palais des Congres (4266 2075).

Shanghai Opera Ballet combines in The Song of the Phoenix on Mount Tchi – a Chinese contemporary vocabulary with ancient court and folklore dances, with Peking Opera's fencing and acrobatics. TMP-Châtelet (4261 1983).

LONDON

Royal Opera, Covent Garden: Il trovatore, in the second of this season's Royal Opera revivals, has Franco Bonisolli, Rosalind Plowright, Stefania Toczyska, and Leo Nucci in the leading roles. Further performances of the other long-runner, Il barbiere di Siviglia, with Mikael Melbye in the title role, and John Dickie, Kathleen Kuhlmann, and Enzo Dara also *in the cast. (240 1066).*

English National Opera, Coliseum: The Magic Flute, in Jonathan Miller's dream-in-the-library production, is given a beautifully lively and rounded performance that belies the rather dry basic concept. Benjamin Luxon's masterly Papageno leads a strong cast. Also in the repertory: La Bohème, with the ENO A-team of Masterson, Barstow, Arthur Davies, and Jonathan Summers; and Madame Butterfly, revived in the recent "new-look" production (refreshing but also irritatingly modish) by Graham Vick. (836 3161).

ITALY

Rome: Teatro dell'Opera: Il Barbiere di Siviglia in a new production directed by Antonello Madau Diaz, which celebrates a new era of collaboration between the Teatro dell'Opera and the Teatro Argentina (Teatro di Roma) where the opera was given its first disastrous performance in February 1816. Marcello Panni conducts and the cast includes Angelo Romero, Raquel Pierotti/Alicia Nafé, Paolo Barbacini, Ercole Mario Bartolino and Justinio Diaz. (461755).

Milan: Teatro alla Scala: Coppelia conducted by Michel Sasson with Oriella Dorella and the Scala ballet company. *Choreography* by *Enrique* Martinez and scenery and costumes by Nicola Benois. Also Die Frau ohne Schatten conducted by Wolfgang Sawallisch and directed, and with scenery and costumes, by Jean-Pierre Ponnelle. The cast includes William Johns, Eva Marton, Brigitte Fassbänder and Holmut Welker. (809126).

Turin: Teatro Regio: Verdi's Ballo in Maschera (Florence Teatro Comunale production) conducted by Don*ato Renzetti with Maria Chiara/Lor*enza Canepa, Carmen Gonzales/Stella Silva, Taro Ichihara/Ottavio Garaventa, Patricia Pace and Juan Pons. Scenery and costumes by Giuseppe Crisolini Malatesta. (548000).

Trieste: Teatro Comunale Giuseppe Verdi: The Marriage of Figaro conducted by Bruno Weil and directed by Filippo Crivelli, with Maria de Francesca, Elena Zilio, Daniela Mazzucato, Ferruccio Furlanetto and François le Roux. (631948).

Rome: Teatro Olimpico (Piazza Gentile da Farbriano): The Russian Ballet Company of Georgia (360 1752).

BELGIUM

Charleroi, Palais des Beaux Arts: Fourth Festival of the Royal Wallonian Ballet, choreography by Jorge Lefébre.

NETHERLANDS

Amsterdam, Stadsschouwburg: New production of The Marriage of Figaro (in Italian) from the Netherlands Opera directed by Rhoda Levine, with the Netherlands Philharmonic and the Opera Choir conducted by Hartmut Haenchen. Jake Gardner as Figaro and Sylvia McNair as Susanna (242311).

The National Ballet with Haydn symphony by Lindens, the pas-de-deux from Le Corsaire, Room at the Top by Rudi van Dantzig, and Corps, a new ballet by Hans van Manen. Mon to Wed in Amsterdam, Stadsschouwburg (242311), Thur in Groningen, Schouwburg (131044).

SPAIN

Madrid: 1986 season with own production of Strauss' Salomé starring Hildegard Behrens with Horst Hiestermann and Donald McIntyre, conducted by Antoni Ros Marba. Teatro de la Zarzuela, Jovellanos 4. (429 8216). (Mon, Thu).

Barcelona, Puccini's Manon Lescaut. Manon played by Raina Kabaivanska and Lescaut by Antoni Blancas. Also in cast Jesus Pinto, Carlos Chausson, Piero de Palma; conducted by Maurizio Arena. Gran Teatre del Liceu, Sant Pau 1. (318 9277). (Mon, Wed, Fri).

Madrid, Ballet Nacional de España, Danza Española. Company takes a 25 day residence with three programmes starting March 5. First repertoire includes Mariemma's choreography of Danza y Tronio, Lorca's Ritmos and Medea. Music, staging and lighting under Maria de Avila Tuition. Teatro Monumental, Atocha 65. (239 4014).

TOKYO

Balletap America: American tap dancers Maurice Hines and Mercedes Ellington perform to music ranging from Duke Ellington to Michael Jackson. Yubin Chokin Hall, near Shiba-Koen Subway (407 8155).

Broadway Dance Center: A valuable effort to produce a home-produced lively musical in the Broadway tradition. Good for curiosity value. Hakuhinkan Theatre near Shinbashi Station (354 2314).

NEW YORK

Metropolitan Opera (Opera House): The week features Samson in the joint Covent Garden production by Elijah Moshinsky with costumes and sets by Timothy O'Brien, conducted by Julius Rudel with Kiri Te Kanawa, and Jon Vickers in the title role. The week also includes Simon Boccanegra with Anna Tomowa-Sintow as Amelia and Sherrill Milnes in the title role, conducted by Myung-Whun Chung; and Francesca da Rimini, conducted by Nello Santi with Renata Scotto in the title role and Placido Domingo as Paolo. Lincoln Center (362 6000).

Saleroom/Antony Thorncroft

Gowrie is home

The porcelain works at Fulda, established by the Prince Bishop of this small town in Hesse in 1765, closed down shortly after his death in 1788. Its works are comparatively rare but much sought after by 18th century continental porcelain fanatics. Christies' yesterday disposed of the Meinertzhagen collection of 54 pieces, the largest group to appear on the market for many years.

Not surprisingly all the lots sold, for £247,395: prices were well above forecast. German dealers were to the fore. Robbig, of Munich, paid £32,400 for a sporting group of a huntsman and his companion, plus dog: it carried a £20,000 top estimate. Amelung, a dealer from Wurzburg, was active on his own account, but the £20,520 he paid for a figure of Scaramouche, unrecorded in Fulda's literature and sales, was on behalf of the Museum at Kassel.

A London dealer, Baskett & Day, popped up to secure for £18,360, a pair of figures of fruit sellers modelled by Bartholome, whose work is most characteristic of the factory. Robbig paid the same sum twice—for a pair of a hunter and a huntress, and for another pair, this time of grape gatherers. A shepherd, with his shepherdess and his sheep, made £16,200. Away from figures, six Fulda ornithological cups and saucers sold for £8,856, to Amelung.

The Meinertzhagen's first purchase of Fulda porcelain, in London, was of court musicians, believed to have been made to celebrate the reprieve of the local orchestra, which the Prince Bishop had axed as an economy measure. Seven figures of musicians were sold yesterday, with a top price of £5,616 for a bagpiper.

Lord Gowrie is going through Sotheby's like a dose of salts. He joined the company only in October, coming in as the director responsible for the saleroom's international activities outside the US and the UK.

In effect he had the task of drumming up new business from buyers and sellers throughout the world. Now he has switched to the chairmanship of Sotheby's UK.

He takes over from Julian Thompson, who gets Gowrie's international job. Sotheby's justifies the switch by pointing to Mr Thompson's traditional expertise in Chinese works of art. Perhaps the saleroom also thinks that Lord Gowrie's good connections will be more useful to Sotheby's in the UK than abroad. He knows the London fine art scene, too, from his days as a picture dealer.

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Tuesday March 4 1986

Outdated laws of copyright

THE House of Lord's reversal tast week of tower courts' decisions which granted to BL copyright protection for its exhausts comes st the right time: wilh a delay of some 20 years, the Government ia oow to take a final stand on design copyright in a White Paper expected shortly after Easter.

The Law Lords upheld the absurd copyright protection of functional products which survive the designer by 50 years, but they said that it must not be used so as to interfere with the right of a car owner to have his car repaired. By a logical jump of considerable audacity, the majority of Law Lords concluded that this freed from copyright restriction anyone who wished to produce and supply spare parts to a car owner.

As far as it goes, this is a welcome decision, but it does nol go far enough. It upholds a rule which was created by courts against the clear intention of Parliament—as *Lord* Griffith pointed out in his dissenting opinion—and trying to temper its effect hy an exceplion based on a principle of law of which no one was aware so far. This is likely to create no end of confusion and much unnecessary litigation. Lord Griffith's clean rejection of copyright protection for functional designs would bemuch preferabla.

Analysis

Starting with the Design Copyright Act 1949, Parliamenl made it ahundantly clear that it does not intend copyright protection for purely functional designs. However, by a grammatical analysis of a 1968 amendment adopted to meet a special difficulty of Birmingham *jewellers*, the *courts* concluded that functional products derived from drawings retained the henefit of copyright if they did not qualify for registration. As a result, while inventions are protected hy patents for 20 years and registered artistic designs for 15 years, functional designs which have nelther of these merits enjoy a protection of over 50 years. Moreover, infringement of design copyright can result in the award of higher damages than infringements of more inventive forms of intellectual property.

Design copyright is nol a form of protection available in any other country. The German Federal Cartel Office even banned Volkswagen from requiring iis appointed dealers and *service stations* to *use exclusively* original Volkswagen parts, when essential for safety and reliability. This prohibition was lifted hy the German Federal Supreme Gourt, which held that by tying sppointed dealers to the exclusive use of original spares, car manufacturers competed fairly for greater sales of new cars hy trying to ensure their continued reliability and safety.

Precedents

While the German judgment was hased on mraket analysis, the Law Lords' majority was merely playing precedents. This, however, is not s way to solve an Important economic problem. Only legislation can achieve a propar halance hetween the interest of manufacturers, who now subsidise tha price of the car with extra profits made on spares, and amaller companies wishing to supply spare psrts to British ss well as to imported cars, with some benefit for the car owner. And motor car spares are only part of a wider prohlem, the ruling applies equally to all consumer durahles.

In its Green Paper on Copyright, Design and Performers' Protection of 198t, the Government stated that the protection of *functional* elements is a threat to industrial development and at best results in a substantial waste of time and money. "If an industrial society is to be aclive and competitive, there must be a substantial common pool of experience from which all can freely *take*." One would hope that the Government would stick to its view in the forthcoming White Paper.

If some balancing act is necessary to help the car manufacturers, the German model—which allows them to restrict the use of other than original parts by their appointed dealers—seems to be acceptable. It would still leave the consumer the possibility of turning lo an indeoeodent garage offering a comnetitive service.

Canada hastens slowly

THE CANADIAN government of Mr Brian Mulroney is making heavy weather of the policy of change which it promised during the electoral campaign of 1984. In some instances events in the outside world have threatened to outpace the process of adapting Canada to a changing world.

Long before the election, the need for change hsd become apparent. Canada had to bring down its heavy budget deficits to cope with a world where inflation had gone out of fashion, calling for fiscal rectitude. Canada had to improve the competitiveness of its manufacturing industry in a world where raw *materials*, the original hase of Canadian wealth, fetched soft prices. And it needed defences against pinprick protectionism, especially in the US, which is becoming ever quicker to react against supposedly unfair commercial practices elsewhere.

The collapse of the oil price has aggravated the structural problems resulting from the weakening of the raw material hase of the Canadian economy. It is robbing both the oil industry ond the country at large of some of the quick benefits expected from Mr Mulroney's deregulation of the oil industry. Exploration and development, especially in the offshore and Arctic areas, are likely to fall off this year with a consequent loss of orders to the capital goods industry.

Tax increases

Weak oil prices may also tear a large hole in the hudget tabled last week. The budget arithmetic postulates a contract price averaging $22.50 a harrel during the financial year starting on April 1. That does not look realistic so that Mr Michael Wilson, the Finance Minister, will have difficultiea in achieving the planned reduction of the hudget deficit from C$34bn (£17bn) to C$29bn. In 1985, gresler economic growth than expected kept Mr Wilson's deficit cutting on target. That is unlikely to he repeated in 1986-87 since he is proposing net tax increases of C$1.5bn.

These increase, not surprisingly, have been ill received by the Canadian financial community. Its members bave heen pressing for a squeeze on social welfare benefits more radical than anything Mr Mulroney is willing to entertain.

An attempt last year to modify the indexing of old age pensions was abandoned in the face of a political storm. Mr Mulroney evidently wants to avoid a similar debacle.

The doubts of the financial community were quickly reflected in foreign exchange markets. The Canadian dollar took a buffeting as soon as the budget hecame known. If that weakness persists, the Government will have to choose between tolerating depreciation or raising interest rates at the risk of further restricting room for growth.

Sound political reasons can be adduced for not rushing matters. But before long Mr Mulroney will come under timetable pressures. By the budget after next, In 1988, he will have to concentrate his mind on the next election. The Liberals, who appeared to have been smashed in 1984, hava regained much ground and Mr Mulroney and his Progressive *Conservatives* cannot at present look forward to a walkover.

Progress has also been slower than hoped for with the Mulroney government's intention to negotiate a trade agreement with the US. After some verbal pussyfooting designed to calm the fears of economic nationalists, Ottawa has admitted that free trsde is the aim. But some cabinet ministers are still saying publicly that unless a good deal can be obtained Canada is committed to nothing. Obvious though that may be, It is not calculated to stir up much enthusiasm.

Mr George Shultz, the US Secretary of State, has said that the US would be willing to enter into trade negotiations this year. But the necessary authority from the US Congress is still outstanding. As the Congressional elections in November approach, that authority may become progressively harder to ohtain.

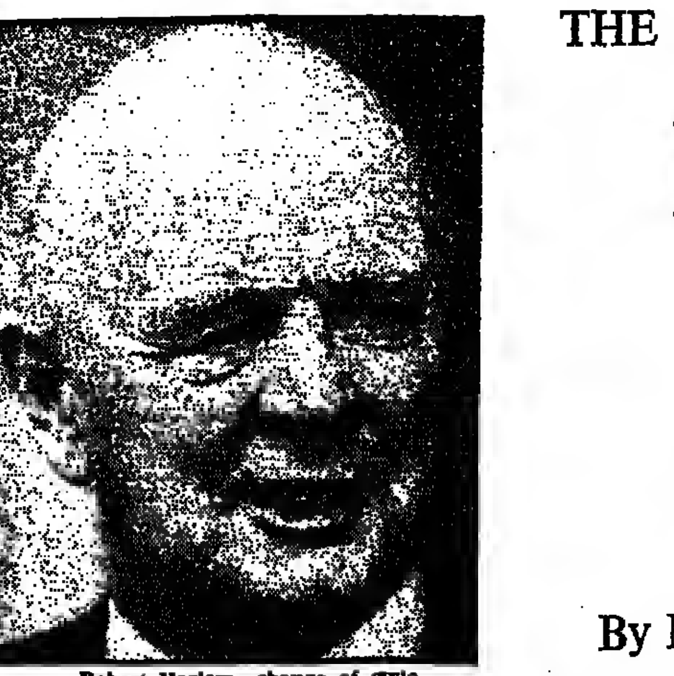
In sddition, the question of free trade has become embrolled in Canadian federal-provincial relations. Especially Ontario opposes free trade and has considerable potential for causing disruption.

Mr Mulroney's economic strategy got off to a good slart with the deregulation of oil and the liberalisation of foreign investment. To complete the paltern he needs a trade agreement with the US, the real purpose of which is to force Canadian industry to increase its efficiency; and substantial progress against a structural budget deficit. Neither objective is as yet within his grasp.

THE COAL STRIKE: ONE YEAR LATER

Leaner, fitter but still an uphill battle

By Max Wilkinson and Maurice Samuelson


Robert Haslam—change of style


Ian MacGregor—increasingly isolated

LIKE s victorious gunfighter whose job is done, Mr Ian MacGregor is preparing to ride off into the sunset. His return to business life in the US will evoke a mixture of gratitude and relief among the politicians who summoned him.

A year after winning his epic shoot-out with Mr Arthur Scargill, the chairman of the National Coal Board looks an increasingly isolsted figure as Whitehall starts to weigh up the complex balance sheet of an extraordinary three years in the industry's history.

Mrs Margaret Thatcher has shown no wish to prolong the MacGregor regime. His contract does not expire until next September, but his successor—British Steel chairman Sir Robert Haslam — was named in October, as if to reassure the industry that Mr MacGregor's style of msnagement was not to be taken as normality. Since the miners went hack to work, an underlying impatience in Whitehall and among coal industry managers at what has been described as a maverick style of management has become even more pronounced. Mr MscGregor has not helped by referring contemptuously to the Department of Energy as the "front office" and hy his reluctance to supply information.

Yet the humbling of the National Union of Mineworkers, the evidence of a new halance of power between management and men, and the latest statistics from the coalfields show that his achievement is considerable.

There seems little prospect of the NUM healing its hreach with the breakaway Union of Democratic Mineworkers. Meanwhile, productivity in the coal*fields is steadily rising*: in the last three months of 1985, average output per man/shift rose to a record 3.67 tonnes, 15 per cent better than in the year before the strike, though still only a fifth of some of the best US output.

Even more suggestive, the performance of faceworkers In December was 25 per cent better over the same period, according to the latest provisional figures. The amount of coal heing lost as a result of local industrial dispules la at its lowest since 1947.

Under Mr MacGregor the hoard has also sharply cut operating deficit which amounted to £1.2hn in the two years before the strike, mainly hy closing uneconomic pits with the loss of 35,000 jobs since the strike ended. Half way through the present financial year, it began to hreak even on its operating account and its officials hope to restore it to profitability in 1987-88 for the first time for many years.

Some of the most impressive gains in efficiency are heing achieved in areas such ss Kent, snd south Wsles, notorious for their poor economic performance and appalling record of industrial relations.

In Kent, the improvement follows the NCB's decision to administer its three pits ss a separste entity rather than part of the south Midlands area. In 1983-84, the Kent pits had lost £22m, and their productivity was half that of the rest of the south Midlands area.

After the strike, the workforce at Tilmanstone and Betteshanger pits had been told that closure was likely unless they increased their output. When they rose to the challenge, the NCB decided to withdraw the threat.

This month the coalfield in south Wales is expected to show its first monthly profit for 27 years, s foretaste of the profit which it also hopes to schieve over the next financial year. Since the strike nine closures and two mergers have reduced south Wales, once one of the biggest coalfields in the world, to 17 collieries.

Its improvement, which coincides with the appointment of a new area director, also reflects the £50m heing invested in equipping 10 heavy duty faces. These will produce 70,000 tonnes a week out of a total area output of 150,000 tonnes.

As a result of these measures the south Wales management says that: Productivity is up by 46 per cent to a record 2.40 tonnes per man/shift. It is hoped to raise production hy a further 30 per cent to 3 tonnes/manshift by December. Half the pits are now profitable; the rest have the potential to be profitahle; and 83 per cent of production is at hreak-even point.

The Government is also confronting a series of questions about the true legacy of the MacGregor period and the prospects for coal as it faces up to the prospect of fierce competition from cheaper oil and the increased nuclear presence in the electricity industry.

The coal industry employs only 148,000 men compared with 187,000 in 1983 and more than 200,000 in 1982; yet it is still producing coal at almost the same rate as two yesrs ago when deep mined output was just over 100m tonnes per year. year.

Ironically, each new step in efficiency in the richest seams, however desirable, puts added pressure on the large number of pits still making losses, since the market for UK coal is flat in the short to medium term. The coal hoard's most recent projections, unlike some to which Mr MacGregor gave currency during the strike, envisage little increase in UK demand until the end of the century, with scarcely sny rise in real prices in a world which has huge reserves of cheap coal. On the most optimistic assumptions, with steady economic growth of 2½ per cent for 15 years, the hoard only hopes for an increase in demand to at best 130m tonnes a year—a 30 per cent increase.

Privately many officials helieve that with weakened demand for exports and little increase in the home market, the coal board may have to reduce output by a further 20 per cent or more to hsve any hope of true economic viahility.

However, the mere return to operating profitability is still regarded, by the Government as only an interim stage towards the goal of earning an adequate return on investment. Total government *grants* in 1983-84 were £1.145bn, including the grant towards social costs and contribution to pension henefits.

Even by the end of the century the coal hoard expects little real increase in world coal prices from the average of $42 per tonne on the Rotterdam spot market over the past three years. This sets a remarkably tight target for the UK industry which is selling the hulk of its coal to the electricity industry for £39 or $57 per tonne at the present exchange rate, though a small "marginal" tranche of coal is sold for less. Volatile exchsnge rates can throw any such calculations into confusion.

In the shorter term the coal board is facing even sharper competition from imports. The price of steam coat for power stations landed at Thames ports is some 30 per cent cheaper than the price the CEGB is paying for its main tranche of British coal. Even allowing for the cost of transport from the coast, imports now have at least a 10 per cent advantage.

Falling *oil* prices also create another problem. At current price leveis the largest oil-fired power stations like the Isle of Grain could produce cheaper electricity than some of the least efficient coat stations. But economics must sometimes how to political realties. The Coal Board's endemic difficulty has been over production, so that any switch to oil would lead to another axpensive mountain of stocks.

The chill wind of increased competition is already heing keenly felt. The CEGB has nsed the threat of its oil-fired stations successfully to bargain for lower pricea from the coal board for some of its supplies. As the same tima cheap oil will put further downward pressure on interoational coal prices, and generally lower the incentives for industrial consumers to swilch from oil or gas to solid fuels.

The ability of the coal board to survive these fresh squalls will owe much to the changes wrought under Mr MacGregor.

The central question heing asked in Whitehall is whether the MacGregor period has effected a genuine sea-change both in management attitudes and labour relations or whether the traditional habits of this highly conservative industry wilt re-assert themselves once he has gone.

The verdict from both sides of the induatry is far from clear. According to ona official, "there is now a much greater awareness in the workforce of the need to schieve targets and a recognition of the fact that the customer *is* nol there just to pick up any coal they may produce."

Another frequently heard comment is that "the right of management to manage has been strengthened." Mr MacGregor had convinced many miners that the industry's financial performance was the ultimate criterion for justifying their jobs.

"They are very frighlened snd believe he's out to shut them down. Some of them take his threats more seriously than they are meant."

But such stalements are qualified hy douhts about the authenticity and durahility of Mr MacGregor's achievement. This month, the South Wales NCB will proudly announce that it hs achieved its first profit for 27 years.

Both management and miners are deeply conservative and there are signs that its ingrained tradilions are beginnlog to reassert themselvea. For example, the initial hopes of management that the UDM would he able to mount a nalional challenge to the NUM have faded and the new union could be limited to a mainly regional role.

Final judgment on the MacGregor era at the Coal Board will have to be reserved notil it can he seen whether his aggressive market-orienlated philosophy can he phased into a smoother, more conventional style of management.

Even his critics in Whitehall concede that hia rough diamond approsch may have been needed to shake the board out of its entrenched attitudes. These were hssed on production quotas and regard for the health of the industry which often paid scant regard to the realities of the international snd domestic msrket.

One observer said: "What MacGregor achieved was almost in spite of his management methods." He has heen particulsrly criticised for hia unwillingness to set up a formal system for channelling information within his own organisation as well as to his political paymasters. Indeed he is strongly suspected of trying to keep Whitehall in the dark.

Be that as it may, it was MscGregor who chose Sir Kenneth Couzens, the astute and quizzical former Permanent Secretary at tha Department of Energy, to he his deputy.

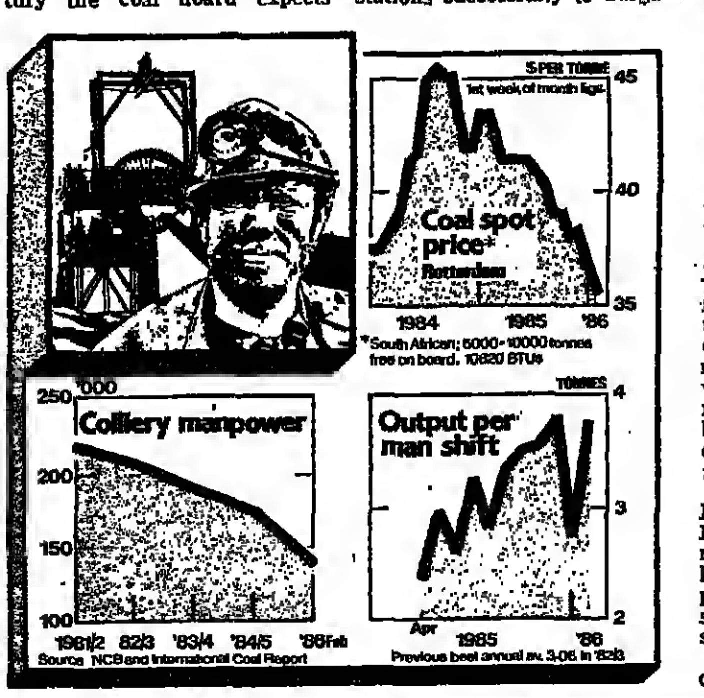
Since the middle of last year, Sir Kenneth has heen assiduously mending fences and using his subtler mandarin skills to give Mr MacGregor's basic message the backing of a persuasive economic and market analysis.

It was Sir Kenneth who took the lead last month at hearings before the Energy Select Committee to explain the board's hopes and amhitions, while his chief remained largely silent. But at one stage the NCB chairman suddenly leaned forward to say that he had been fighting, not for the size of the British coal industry, but its very existence.

It is the kind of remark which raises discreet eyehrows among civil servants who had hoped that Mr MacGregor's predecessor, the skilful and uncomhatative Sir Norman Siddall, might have achieved similar results without the damaging costs to morale of a year-long strike. During Sir Norman's brief tenure 23,000 men left the industry on voluntary terms, with little publicity.

Under Sir Kenneth and Sir Robert Haslam, the coal board will certainly return to this softly softly approach. But the recent sharp deterioration of its market prospects means that the new management will need to be quite as tough as Mr MacGregor.

As one official remarked: "Mr MacGregor imposed a new way of thinking on the coal industry, but the managers have been used to many years of government subsidies. The question now is whether they will slip quietly back into oldthink."



Men and Matters

Slippage in the cash flow

The intriguing saga of how Jose Fernandez survived as governor of the central hank of the Philippines took a new turn yesterday when he came out of *seclusion* to *reveal* that he *had* offered his resignation to Corazon Aquino, the new president—who turned it down.

In spite of his international reputation as a good banker, the affahle Fernandez remains under attack from a number of Aquino supporters, who claim he was directly involved in the previous government's efforts to huy the electorate by printing money.

He admitted yesterday that, in the two weeks leading to the presidential election, which eventually toppled Ferdinand Marcos, he received government requasts to print 3.8hn pesos ($190m). "With the exception of one request for 1bn pesos, he said yesterday, "the others stayed on my desk. I did not agree."

Money supply in the Philippines leaped from 40.5hn pesos to 44.3bn pesos in those two weeks.

Fernandez, the only senior surviving memher of the Marcos government not to have defected to Aquino, said he warned the Philippines' monetary board that "slippage was *occurring*" in the money *supply*—and that if nothing was done the country would be in violation of its IMF agreements.

Asked who was responsible for the explosion of mooey supply, Fernandez replied diplomatically: "This is not a time for *recrimination*."

Fernandez, who sits down to negotiate with the IMF next week, dealt with questions about his own positlon with suave ease. Asked what he had to say ahout the clamour for his resignation, he said: "That's a fair question." He had been asked to stay, he explained, so he did — "At Mrs Aquino'a pleasure."

"I must have missed the Little Bang this weekend—I hope I hear the Big one in October"

No pictures

The upper lips of the Stock Exchange tend to stiffen at the mention of advertising agencies—esoteric names clutternig up the listings, spotty bow ties lowering the tone, nnhealthily high ratios . . .

Nothing moch could he done about the bow ties and the ratios, but the advertising agencies could he prevented from producing prospectuses that look more like "holiday brochures" than "legal documents." Two weeks ago, the Stock Exchange banned the use of photographs inside new issue prospectuses.

For one agency, Gold Greenlees Trott, the decision was an expensive setback. GGT plans to float on Friday and when the Stock Exchange struck, its prospectus was all hut finished—and included lots and lots of photographs of the agency's work.

The agency and its brokers, James Capel, drew a deep hreath and started all over again. "Although I just can't understand how the Stock Exchange can believe it is in the interests of Investors to decide whether or not to invest *in an advertising agency* without being able to look at its work," said joint chairman, Michsel Gold.

The new prospectus is now complete, with pholographs plastered liberally over its cover, the only place where the *Stock Exchange now* allows them.

Chretien quits

"1 play politics like I ski — fast hut with no style." True to *his* words, Jean Chretien, former Canadian minister of finance, haa resigned the parliamentary seat he held for 23 years after a tiff with Liberal Opposition leader, John Turner.

Chretien, 52, is now going to work for finance house, Gordon Capital, in Montreal, and for the law firm of Lang, Michener, Cranston & Farquharson in Ottawa.

Chretien assiduously cultivated the populist image of a small town country lawyer who had taken the fight for his people into the highest places during the years he represented his home-town of Shawinigan in the Commons.

He became knowo as "Petit Gar de Shawinigan." But he held every senlor post in successive Trudeau Cahinels. He was the first French-Canadian to be Federal Minister of Finance; and he did perhaps more than any other federal politician to swing the 1980 Quebec referendum on the con*stitution to* the *federalist side*.

Chretien fought Turner for the Liberal leadership after Trudeau resigned in 1984. "Fasten your seat-belts . . . it's going to be a helluva ride," he said, as he hegan a cross-country campaign.

But even in Quebec many turned away from his pea-soup image and Chretien, a sensitive man, was deeply hurt by his defeat.

New toys

City of London hrokers were treated yesterday to a rousing double act from the management team of Toys "R" Us, the curiously-named US toys retailer that has hreathed new life into an old selling technique—pile 'em high and sell 'em cheap.

Company founder Charles P. Lazarus, and president Norman Rickeo, presented a whistle-stop tour of Toys' expanding empire, which now includes five "toy megastores" In Britain. Five more are to be opened this year, they say, with further developments planned in West Germany next year.

Lazarus, aged 63, enthuses over the company's achievemeots but is willing to acknowledge its mlstakes. He admits an error in marketing hamster-powered racing cars—the RSPCA complained.

Well-being

The way the oil price is going, it might be better to invest in those oil companies which drill the most dry holes.

This view could soon hecome fashionable in the industry. Carless Capel and Leonard, a leading UK oil exploration company, yesterday raised £6.6m by selling its stake in another oil company, Premier.

Carless's bouncy new chief executive, Ian Clubb, explained that the company hadly needed to reduce very high debts against a background of falling oil prices.

But then came the good news. "We don't have a lot of oil production," Clubb said, "so we sre sufferiog less because of a lack of exploration success in the past."

Observer

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Letters to the Editor

The action on education that is needed now

From the chairman of the governors, Croham Hurst School

Sir,—Time for action on education it may be (FT editorial, February 26) but hardly in the way you envisage! Yes, we should be in the van of scientific and educational advance, but where is the fulfilment of the Government's pledge to increase student capacity in tertiary education in the field of the sciences? While the number of pupils at "O" and "A" level stages in this school have, over the past few years, switched dramatically from the arts to the sciences, the number of university places for physics under-graduates has declined.

Those lower down the school will leave between 1988 and 1990 having an absolute void in their education for which they will have one man to thank—Sir Keith Jospeh. Sir Keith is misguided enough to believe that the intransigence of the teaching unions, in their pay negotiations, is the reason for their baulking at the introduction of the GCSE in 1988. He and all parents should be aware that nothing is further from the truth.

While the new GCSE examination structure is supported by the teachers, text books and the requisite newer teaching aids such as cassette tapes and additional compoter equipment will be essential, as will the employment of technicians for such subjects as home economics. The work-load previously nndertaken by the examining boards will be transferred to the teaching staff, who will require intensive training to assume their new roles. Preparation, publication, recruitment and staff education all take time—and, of course, money.

None of the foregoing can be embarked upon until the syllabuses are published. Why haven't they been pnblished? The examining boards prodnced these last year, but they were rejected by Sir Keith who demanded that they must conform to national criteria; not an easy task when the teachers' reports which will be required must, to some extent, be subjective.

The situation is little short of scandalous. The teaching profession is not yet in a position to tutor 14-year-olds for the new examination, and even those from 11 to 13 will suffer as the examination will require teaching methods radically different from those which they have experienced so far. Each course will need to be more intensive, leading to a longer school day and a reduction in the number of subjects sat by each candidate, as compared with the present GCE and CSE examinations.

Time for action indeed. Parents must demand that the introduction of GCSE be deferred, to come into force no earlier than four years from the date of publication of agreed syllabuses, failing which we will be producing a further generation of ill-educated adults unable to meet the challenges of the future.

E. A. Bradman.
South Croydon, Surrey

From the Chief Librarian, Teesside Polytechnic

Sir,—Your leading article is right to point out that over 20 years of educational expansion have failed to produce adequate numbers of scientifically and technically qualified students on which national economic survival ultimately depends.

It has to be frankly faced that as long as universities and similar educational institutions are allowed to tempt large numbers of students with the easier "paper-factory" reading degrees of the non-scientific faculties and departments, the problem will remain. It is obvious, and was even before the self-interested expansion of the Robbins era, that reform is not going to come from inside the educational world. It will have to be imposed from outside, and no one but the Government is powerful enough to do this. So it must face the consequent unpopularity.

Perhaps your television critic, instead of putting "the case for violence" on TV (February 26) might consider that TV could be better employed in directing itself to scientific and technical education.

R. Moss.
Middlesbrough.

Taxpayers who lose out

From the Investment Manager, Royal Insurance

Sir,—I read with interest the article by Dr Oonagh McDonald on privatisation (February 26). However, I do believe she took her rough and illustrative estimates slightly too far, especially in two specific areas.

Firstly, her calculations take no account of the various privatisations and share sales of oil companies over the last few years, all of which have substantially underperformed the market, and in the case of Enterprise and Britoil, are *actually below the issue prices*. Using Dr McDonald's formulae the gains made on other issues excluding BT have been matched by losses on these oil issues which, certainly in the case of Britoil's first issue, were substantially taken up by underwritings by institutions who have not made huge speculative gains from these issues.

Secondly, Dr McDonald states *that the undervaluation on her basis* with the BT issue was £300m. However, this does not appear to be correct as she has used the fully-paid price of 130p at issue and only the 90p paid *price for the present price*. This means that the present price on a "like for like" basis should be 225 and not 185, which gives an undervaluation of £1.5bn and not £300m. However, in this case the privatisation was carried out in such a way that the smaller, individual shareholders were given substantial preference, allowing the "person in the street" to make the gains rather than the large institutions who have had to continue buying shares in the market to try to obtain a sensible holding.

David Rough.
1 Cornhill, EC3.

From Mr J. Redwood

Sir,—Dr McDonald's article on privatisation should win a prize for the most specious argument advanced in your *paper for many months*.

Her claim that £1,500m was lost by disposing of state assets is both highly selective and intellectually flawed. The assets selected leave out Britoil and Enterprise Oil, presumably because the oil sector of the market has been performing badly. Given her logic, that would mean the taxpayer has received a present from privatisation.

She also *fails to* explain that an increase in the value of a company in excess of the increase in the stock market as a whole may reflect superior performance by the company concerned. You can just as easily argue that the increase in the values of those privatised companies showed what a good idea privatisation had been, as it has released energies and new business possibilities to which the stock market has responded favourably.

In all these debates there is an implied assumption that generating more wealth from national assets from within the private sector in some way does not count or does not add to the economic success of the country. In practice, the opposite is the case. As the privatised companies go from strength to strength so they offer more wage and salary increases to their employees which are taxed. The pension and insurance funds gain as the share values rise helping provide more people in the country with the prospect of more secure income in retirement.

John Redwood.
506 Queen's Quay,
Upper Thames Street, EC4.

From Mr W. N. Green

Sir,—I am bored, confused and very alarmed by the cosy academic debate "Is manufacturing really necessary?" I cannot help noticing that all the participants, together with those advocating the myth of free trade, come from south of Watford.

While these Neros quibble, the *mills and factories burn*.

When we finally have more economists and consumer advisers than textile workers, I presume all will be well.

W. N. Green.
Albert Green Ltd,
Agard Street, Derby.

Diverting phone calls

From the chairman, IQD.

Sir, — The letter from Dr Compton on the difficulties surrounding telephone call diverters (February 27) will be welcomed by the puzzled, but *it* does not explain why Oftel and the other interested authorities have not addressed the problem much earlier.

Techniques of achieving compensation in a two-wire circuit have been well known to professional telephone engineers since the earliest days: The difficulty is entirely one of cost. IQD's "phoneswitch" is an all-British call diverter designed with the required performance but it cannot be offered to the public until the seal of respectability is obtained through official approval.

Meanwhile inferior diverters from the US (where they have been available for at least 10 years) and elsewhere are enjoying illicit commercial success, at the same time so as, in Dr Compton's own words, to "harm the interests of the whole community of telephone users."

Hugh Robinson,
North Street,
Crewkerne, Somerset.

From Mr F. H. Charlton

Sir,—Dr Compton says that British Telecom "offers" a call diversion service in which calls are diverted at the exchange. I am afraid that the quoted word is used in a rather technical sense—the service may be in principle available in the technical sense, but is certainly not available to subscribers who want to have it.

F. H. Charlton.
19, Kippington Road,
Sevenoaks, Kent.

Charges on pension plans

From the joint pensions manager, Scottish Widows' Fund

Sir,—I was interested to read Eric Short's brief article on Prudential Assurance's mobile pension plan for the printing industry (February 24). I am, however, concerned at the comment that the administration charges under this plan will be low, with less than 2 per cent being quoted as an example. The Social Security Bill currently before Parliament gives the authorities power to regulate the amount of expense charges which can be made in personal pension and money purchase contracted-out group schemes. There is considerable concern in the pensions industry that, particularly for smaller schemes, it will be quite impractical to operate schemes on the sort of charging structure that has been rumoured to date. It is therefore unfortunate that this article gives the impression that a pension scheme can viably operate on charges of only 2 per cent.

My impression is that the contract involved here is a deposit administration contract. In such contracts, the insurer decides on the rate of return on the money invested which need not be in any way directly related to the performance of the underlying investments. One would normally expect that the rate of return granted would be less than the underlying investment performance and the difference can be varied at will by the insurer. This difference is also an additional expense, although it is far from apparent to the members or the *participating employers*.

I hope therefore that Mr Fowler does not take this plan as a guide when he tries to set maximum expense deductions in the regulations that will follow from the Social Security Bill.

A. E. Miller.
15 Dalkeith Road, Edinburgh.

Case for taxing oil

From Mr D. Franklin

Sir,—When presenting "the case for taxing oil" (Editorial, February 28) you mention the non-interventionist attractions of leaving the market to determine the price of oil. It is certainly the case that powerful arguments are needed to justify discriminating excessively against the use of one commodity. The two main arguments you adduce are, however, both flawed.

First, you argue that the oil price collapse is equivalent to a fiscal stimulus which was not considered safe before the collapse. But after the decline in oil prices the inflationary risk of a tax cut is, of course, much reduced.

Second, you mention the need to encourage conservation in order to avoid the revivification of Opec in the 1990s. But the development of non-Opec energy sources has been at least as important a factor in undermining Opec as has energy conservation. If oil consumption is taxed, switching from other energy sources to oil will be inhibited, and the market oil price will fall until non-Opec production and exploration becomes uneconomic. Indeed, the most worrying aspect of the proposal to tax oil consumption is its potentially destabilising effect. If a demand floor of around $10 a barrel is removed from the oil market, the incentive for Saudi Arabia to engineer an immediate regrouping of Opec, and a bounce back in the price, losing all the benefit to the oil consumers, is much greater. Alternatively, if the oil price is allowed to slide, the impact upon non-Opec oil producers and their bankers will be that much more devastating than at present.

Donald Franklin.
J. Henry Schroder Wagg.
36 Old Jewry, EC2.

Why it's best not to take tips from Germany

From Mr. G. Ciraolo

Sir, — Samuel Brittan (February 20) is quite wrong to exalt German virtues of fiscal restraint. West German economic policy has proved basically inconsistent with the objective of reducing unemployment and stimulating world growth. Industrialised countries do not need less monetary control from the Bundesbank and never-ending fiscal restraint (as Brittan and German ministers seem to suggest): they need exactly the opposite.

The Germans are completely wrong to think that lower interest rates, if achieved through fiscal virtues, lead to less structural unemployment. Unemployment in the advanced countries results from basic demographic processes and world reshaping of international trade. The new division of labour between industrialised and developing nations cannot (and must not) be stopped through loose monetary policies aimed at preserving the industrial structure inherited from the past.

The shift toward services and software in the advanced countries is almost unavoidable: it needs (to be efficiently achieved) high entrepreneurial turnover and great labour flexibility. All this calls for massive educational policies and tax incentives to capital ventures and company creation (negative income tax?). These are matters of fiscal policy, not monetary ones.

The countries which created the highest number of start-up businesses in the past few years (the US, Italy, the UK) are those with high real interest rates and fiscal expansionary policies. The "statistical" levels of unemployment do not necessarily reflect the real underlying social phenomena. Take, for instance the different degrees of feminine access to labour market (which is lower in Germany than in other countries). If the Germans had as many women seeking a job as in Britain, the unemployment figures would be quite different.

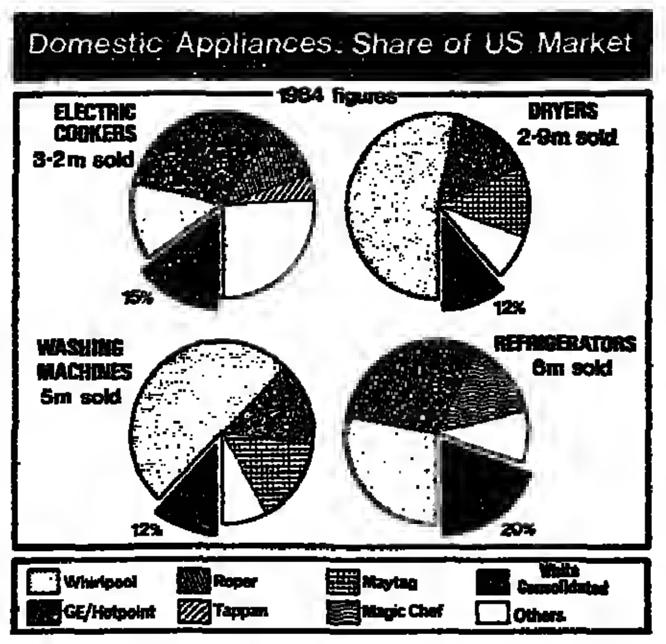
It is quite wrong to think that short-term British interest rates tend to make real stock-market assets depreciate. The opposite has happened in the US and Italy. High interest rates and big fiscal deficits constrained companies to rapid restructuring of balance-sheets toward more efficient cash-management and "productive" investments (which are both labour-saving and capital-saving). Differential investment returns have attracted important flows of foreign capital to deficit countries. These boosted economic growth, overvalued currencies in real terms and thus provided the conditions for further moves toward increased cost-cutting technological innovation. Of course, the American explosive mixture of monetarist restraint and fiscal Keynesianism has gone too far and needs now to be corrected.

The Germans are completely wrong to think that the Bank of England, or whatever other central bank facing innovative financial markets and global world competition, is still provided with relevant margins of monetary sovereignty. The "supra-national" money which now finances integrated transnational trade is a mixture (as Peter Drucker rightly pointed out) of Keynesian Bancor and "private money" suggested by von Hayek. Central bank national money is, for countries like Britain, a short-term instrument of internal policy which is completely deprived of any influence on international and integrated trade flows; and the "statistical" imports of advanced deregulated nations are balanced by an invisible flow of services which gives to imported goods (produced by an integrated chain of phase-specialised cost-effective countries) their real "transnational" nature and market oriented western design. As Germany will be increasingly integrated in a transnational decentralised economy and will deregulate its markets, the Bundesbank's power of control on monetary aggregates will decline sharply.

What the world needs now is an inversion of US monetary and fiscal policies relative to those of West Germany and Japan. Of course, dollar anti-inflationary exchange rates have to be defended. Nevertheless, the tendency must be to tighten European monetary policies and to increase fiscal incentives to bright young innovators, while the Americans have to reduce real interest rates and to rethink their defence and space policies, by making them become more consistent with cost-effectiveness requirements. This is probably the best direction to take in world interest, and it is also the opposite of what prudent German ministers and Utopian American dreamers are doing (remember that the final decision of an authentically prudent individual is courage!).

Giovanni Ciraolo.
Via Nazionale, 54, Rome, Italy.

Electrolux's latest bid



Enter the big white chief

By Kevin Done and Christopher Parkes

IT'S NOT only a whole new ball game. They're playing it in a whole new ball park.

Electrolux's $700m-plus bid for White Consolidated, the third largest US white goods manufacturer, promises the biggest upheaval in the international domestic appliances business since the Swedish white goods and engineering group took the battered Italian Zanussi company by the scruff of the neck one year ago and started shaking it back into profits.

In a helter-skelter ride of acquisitions over the last two decades, Electrolux has managed the purchase of more than 100 companies in 40 countries. It has meant the integration of more than 300 units into the concern as the search for high production volumes and high market shares spread from the Nordic region into the rest of Europe and then into North America. At more than SKr 5bn the move for White Consolidated is the most ambitious yet.

The strategy followed by the concern's long-established management troika of Hans Werthen, chairman, Anders Scharp, president and Gosta Bystedt, chief executive, has been remarkably consistent and has only once been briefly shaken at the beginning of the 1980s when Electrolux overstretched its financial resources and had to slow down the race and consolidate.

Under the leadership of 66-year-old Hans Werthen — be is also the working chairman of the Ericsson telecommunications and electronics group — Electrolux bas been one of Sweden's fastest growing industrial corporations.

Its fortunes, which were fading badly at the end of the 1960s, have been founded on a clear and aggressive strategy for buying market share through takeovers in a white goods market which in itself is showing only small, if any, growth.

The Zanussi acquisition, completed just over a year ago, made Electrolux by far the biggest force in the European white goods business, with a market share of about 25 per cent. If the move against White succeeds, it would probably become the biggest in the world.

White ranks third in the US after General Electric and Whirlpool, with particular strengths in refrigeration, cookers, washers and dryers. Its brands include Frigidaire, once a generic term for the refrigerator, Kelvinator, Gibson and White-Westinghouse.

White could hardly have expected a bid of such audacity from Europe. European manufacturers had been bracing themselves for an assault from the US.

The Americans were more inclined to imagine a bid from Japan. Most believed that Electrolux, the only possible major European contender, had far too much on its plate with Zanussi to undertake any further adventures abroad.

GE, Whirpool and White itself have all been spotted window-shopping in Europe in the past 18 months. All three, however, turned up their noses when Indesit, the second biggest Italian maker, went pleading for joint venture help last year.

But the desire to break out of the US market is still pressing. Mr Dave Whitwam, vice chairman at Whirlpool, said recently that his company was looking increasingly at other markets.

"We are going to be forced to participate in the world market whether we do it by strategy or not."

Now the Americans may have been beaten to the punch. Even though many sectors of the US market are saturated—99.9 per cent of homes have a refrigerator — it is still the most important in the world. It accounted for some 25 per cent of the 150m major appliances sold around the world last year.

Sales have reached record levels in the last two years, and although much of the impetus has come from the boom in microwave ovens — a market dominated by the Japanese — the economic recovery has driven all sectors along at a relatively brisk pace for such a mature market. Overall sales grew by 5 or 6 per cent last year, according to most estimates.

Mr Whitwam has a clear picture of where the market is going. "The industry will sell 190m appliances in the US in the next five years," he says.

His confidence is based on three factors: A strong replacement market worth 80m units a year; a new homes market which is more stable than it has been for some years and demand for new up-market products from the growing affluent sector of US society.

In explaining the Electrolux bid for White Consolidated, Mr Scharp said yesterday that the Swedsh group saw three major markets for white goods in the world, Western Europe, the US and Japan and buying patterns and living styles were increasingly converging in all three regions.

After the takeover of Zanussi, which made Electrolux virtually twice the size of its main European competitors, Philips of the Netherlands and Bosch-Siemens of West Germany, the Swedish group clearly feels confident about its position in Europe. It plans fully to consolidate Zanussi later this year—it currently holds 49 per cent of the equity and convertibles to give it a majority—and feels *the time is ripe* to begin to attack the US market in earnest.

North America is already Electrolux's single biggest market accounting for 27.3 per cent of group sales in 1984, a position established through earlier takeovers of companies such as National Union Electric with its Eureka brand name in 1974 and Tappan, which is strong in microwave-ovens and cookers, in 1979.

A takeover of White Consolidated which has a complete range of white goods but is particularly strong in freezers and fridges would propel Electrolux into a new league in the US.

White Consolidated, which has built its appliances arm by acquisition after starting from scratch in the late 1960s, has been losing ground lately. In last year's fourth quarter, it reported a 44 per cent fall in profits to $9.3m. Its brands have been looking jaded and it has been collaborating with the Japanese. White's Canadian factory is manufacturing appliances for sale in the US market bearing Matsushita's Panasonic label.

Electrolux has also recently forged links in the Far East, signing an agreement with Mitsubishi which gives it access to new refrigerator compressor technology which has yet to be introduced in Europe or the US.

This is just the type of technological advance which could give Electrolux a significant advantage in the US market.

In the year since it took Zanussi in hand, Electrolux has set in motion schemes which *will* reduce the workforce from 18,000 to 12,000 and introduce some $160m-worth of factory automation. In 1984 the company lost $66m, but it was breaking even on a month-by-month basis *within nine months* of the Electrolux takeover.

Electrolux also believes that the takeover of White Consolidated would make the two groups better able to face the looming threat of Japanese competition in the US in the household appliances market.

The Swedish group is aware that both objections from the US anti-trust authorities or a rival bid for White could block the takeover, but it appears confident that the problems can be overcome. "We have a hope that this will be a so-called friendly takeover," said Mr Scharp, "so far it has been a friendly discussion."

FINANCIAL TIMES
Tuesday March 4 1986

Morgan Grenfell sidesteps Bank bid worries

By David Goodhart in London

MORGAN GRENFELL, the British Merchant bank, responded swiftly yesterday to the Bank of England's anxieties about the growing financial involvement of merchant banks in the present wave of takeover bids.

It announced that it had arranged for a consortium of banks – the British Linen Bank, Allied Irish Banks Group and Australia and New Zealand Banking Group – to acquire shares in the Distillers spirits company up to the value of £111m ($160m).

Morgan Grenfell is merchant bank to Guinness which is bidding about £2.4bn for Distillers. The bank has already spent £160m on buying Distillers' shares for Guinness but following new Bank of England guidelines, released on Friday, it stressed yesterday that it would be acting simply as agent to the new bank consortium.

The Bank of England said on Friday that, in line with the Banking Act of 1979, it would not normally regard as prudent the acquisition of shares in a company exceeding 25 per cent of a bank's capital base. The central bank also said that where a bank was already committed above that amount, it would be opening discussions with it.

The £180m that Morgan Grenfell has spent on Distillers shares far exceeds the 25 per cent mark – its total disclosed shareholders funds is only £174m. However, Morgan Grenfell said yesterday that it did not believe that it would face pressure to divest some of those shares it has already bought.

The Bank of England would only repeat that discussions on such retrospective action were continuing.

If the central bank was to act on shares already acquired, Morgan Grenfell could presumably sell them on to a friendly consortium.

Morgan Grenfell insists that the real risk in its share-buying for Guinness is limited to the difference between its buying price and the cash alternative offered by the rival bidder, Argyll. That difference at present stands at about £1m.

Guinness's share price on the London Stock Exchange yesterday was unchanged on 285p, Distillers fell 1p to 625p and Argyll was unchanged on 335p.

Carlsson promises to maintain Palme policies

BY KEVIN DONE AND DAVID BROWN IN STOCKHOLM

MR INGVAR Carlsson yesterday pledged continuity in Swedish domestic and foreign policy after his formal election as chairman of the Social Democratic Party in succession to Mr Olof Palme, the Swedish Prime Minister who was assassinated last Friday night.

Mr Carlsson's appointment as Prime Minister will be formally approved by the Riksdag, the Swedish parliament, on Wednesday next week and the following day he will present his Cabinet and the government declaration.

Swedish police yesterday threw a blanket of secrecy over their continuing hunt for Mr Palme's killer. No further anouncements on progress in the search were made, although it was revealed in Bonn that the West German terrorist group Rote Armee Fraktion had claimed responsibility for the assassination.

The claim was made in a telephone call to a Swedish diplomat in Bonn early on Saturday, only about three hours after Mr Palme had been murdered.

The most definite lead in the hunt still appears to be the two bullets found after the shooting. The bullets were fired by a .357 Magnum revolver, of which the most common manufacturers are Smith & Wesson and Colt of the US. Metal-piercing ammunition of the type used in the assassination can be bought in Sweden.

Police have already stated that the murder appears to have been well-planned and suspicion is growing that it was the work of a terrorist group, although they have not excluded the possibility that a madman carried out the attack.

Mrs Lisbeth Palme, widow of the murdered Prime Minister and who was also wounded in the attack, was interviewed again on Sunday by police. She did not see the face of the gunman but only saw him running away.

The hunt for the killer is the biggest police operation to be mounted in Sweden. Intensified surveillance of border and entry points continues, but it is clear that the authorities have not managed to seal off all escape routes from the country.

As Swedes yesterday returned to work after a weekend of anguish and mourning, assembly lines and operations at many factories and offices around the country were stopped to observe five minutes' silence in honour of the memory of Mr Palme.

Mr Carlsson said yesterday: "Having our Prime Minister murdered walking with his wife in the evening in Stockholm has shocked us. I don't think we are exactly the same country... but we also feel more strongly united and see more clearly the values of Swedish social democracy and we feel it has to be defended."

He said he shared Mr Palme's views on security controls and the importance of maintaining an open society.

KWU suffers blow as Chinese shelve nuclear reactor project

BY JOHN DAVIES IN FRANKFURT

KRAFTWERK UNION (KWU), the West German power station builder, has suffered a bitter blow with China's decision not to go ahead in the immediate future with plans to build a nuclear power station at Sunan, 130 km from Shanghai.

KWU has been engaged in long and costly negotiations with the Chinese in the hope of winning a contract to supply two 1,000 MW nuclear reactors for the power plant. The deal would have been worth about DM 4bn to DM 5bn ($1.79bn – $2.24bn).

The West Germans have been talking with the Chinese for about two years and were considered the front runners. About 50 KWU specialists, including a board member, are now in China.

KWU confirmed yesterday, however, that the Chinese no longer envisaged the Sunan project in their 1986–1990 plan. The decision is thought to spring from China's fear of over-stretching its resources and running into currency problems.

KWU, a subsidiary of the Siemens electrical group, has continually stressed that the Sunan project was not yet "in the bag" and had cautioned that it might have to wait a long while. Even so, China's decision to put off the project has caused some surprise in West Germany.

The Chinese are reported to be considering less ambitious nuclear energy projects and KWU said it would examine whether it could play a part in these.

Representatives of the German nuclear industry signed a co-operation agreement with the Chinese in Bonn last June, aimed at supplying knowhow to help with the Sunan project. KWU said yesterday that it was still prepared to help the Chinese with technology.

The Sunan decision, however, appears to have dealt a final blow to the controversial plan for sending some German spent nuclear fuel to China for storage and possibly reprocessing.

The Germans have not been keen on China's offer to store spent fuel, but they envisaged sending a total of 150 tonnes if KWU won the Sunan contract. A Bonn government official said yesterday that there appeared no longer to be any question of sending spent fuel to China.

Much of the Sunan project was to have been financed through countertrade organised by Metallgesellschaft, the Frankfurt-based metals and trading group, and involving the sale abroad of ferroalloys and other materials used in the chemical and metal manufacturing industries.

Mr Heinz Schimmelbusch, the board member who has built up Metallgesellschaft's countertrade operations, said yesterday that the company would be able to reassign its China exporting capacity to cover other western projects in the country.

He said there was no risk for Metallgesellschaft if the Sunan deal did not go ahead. Its China countertrade business was organised in such a way that it could be transferred to "other projects in a continuous line."

Framatome, the French nuclear reactor company, was also interested in the Sunan project. Although the Germans had taken French rivalry seriously, they believed they were in a relatively strong position.

KWU has been fighting hard for the few nuclear power station orders in the world in recent years

Egyptian deal delayed, Page 5

US court freezes sales of Marcos properties

By William Hall in New York

A US court has issued a temporary restraining order to freeze any change in ownership of several New York office buildings believed to be controlled by Mr Ferdinand Marcos, the former Philippines president.

The temporary restraining order, issued on Sunday after a burried court hearing, prevents Mr Marcos, his associates and certain offshore corporations, believed to control assets claimed by the Philippines Government, from transferring ownership of several properties in Manhattan.

US lawyers working for the new Philippines Government are concerned that Mr Marcos and his nominees are seeking to liquidate some of his overseas property fortune and frustrate efforts to recover assets allegedly stolen from the Filipino people.

The court order covers the Crown Building on Fifth Avenue, 40 Wall Street, 200 Madison Avenue and the Herald Centre on 34th Street. These four properties are said to be worth $350m.

Mr Bonifacio Gillego, representing the Philippines' presidential commission on good government, said at a New York press conference yesterday the buildings were "the tip of the iceberg." He said "Mr Marcos and his cronies" were believed to control between $3bn and $6bn in overseas holdings.

Ms Severina Rivera, a Washington-based attorney working for the presidential commission on good government, described the temporary restraining order as "a major victory" in the Philippines' efforts to recover the overseas assets of Mr Marcos.

The US court will hear arguments for a permanent restraining order on Wednesday when Mr Marcos and his associates will have to explain why the order should not be granted.

Mr Morton Stavis, president of the New York-based Center for Constitutional Rights which is acting for the Philippines Government, said yesterday that in additioo to requesting the court to "freeze" the properties pending determination of ownership, he was asking that a receiver be appointed to collect rents and receipts from the properties.

IMF talks on debt, Page 3

THE LEX COLUMN

White goods for Electrolux

White Consolidated seems designed by computer to be a company that Electrolux would want to buy. White holds a significant share of the US white goods market, supported by some famous if faded brand names – Frigidaire, Kelvinator – which a mediocre trading record has left wide open to a sufficiently energetic bid from somewhere. Electrolux, apparently raring to go after a triumphant reorganisation of Zanussi, looks well set for its next phase of expansion, and the US beckons: yesterday it seemed that the only obstacle to this argument was the White share price, which moved well clear of the $45 Electrolux tender.

White is sitting in a classically bad position for a takeover defence. It has just gone through e management succession and has been *implementing a consultant's report*; after a year of price-stickiness and margin compression White is about to report earnings per share for 1985 that may well be no higher than five (or even 10) years ago. In a reasonable US market for consumer durables, where volumes are reported to have risen 5 per cent or more, White's rate of increase for the first nine months was a mere 0.8 per cent.

That leaves plenty of scope for the Electrolux treatment, it would appear. What is more, the product mix, strongest on refrigerators and washing machines, would complement the existing Electrolux strengths in vacuum cleaners and microwaves. Yet at this price there is every reason to think White can remain independent – if it puts its mind to it.

Like other European bidders on Wall Street, Electrolux seems to have decided that, if a bid is worth making, it is worth making cheaply. A premium of less than 20 per cent is not going to impress the arbitrageurs, and neither is an historic multiple of 20. The key to White's future is likely enough to lie in its balance sheet, where 1984 book value was close to $30 a share, and gearing of under 40 per cent suggests the probable line of defence.

Rodamco/Haslemere

Yesterday's 3p fall in the share price of Haslemere Estates – to 625p – was not the most rousing response to an asset valuation which claimed that each Haslemere share was worth 728p or more. The stock market had been primed to expect a figure of at least 750p, and while that figure can be arrived easily enough by adding in the anticipated surplus on development properties and the likely retentions for 1985–86, the Haslemere valuation failed to make much of an impression.

The company is an unfortunate victim of its past conservatism. Before the bid, the market bed been anticipating a March 1986 value of about 675p, so a sudden leap to 750p or above would not have carried much weight. As it is, Haslemere and its chartered surveyors have continued to practice what they preach, revaluing the core investment portfolio by only 6 or 7 per cent.

By comparison with one or two other takeovers, the Rodamco bid for Haslemere is a subdued and almost gentlemanly affair. The mutual restraint may leave Haslemere's door open for an agreed deal with Rodamco, but it is also helping to keep the target share price within striking distance of the 600p cash offer. Revision of the Rodamco terms and the publication of Haslemere's profit forecast may mark the start of more serious hostilities.

BHP/Bell

The Bell Resources bid for a part of Broken Hill is floating in such a corporate and political limbo that yesterday's BHP profits forecast seems positively down to earth. More to the point, yesterday's decision by the federal Government not to establish a full inquiry into the offer raises the intriguing possibility that Bell will actually despatch an offer document.

Nobody could quarrel much with BHP's forecast to May, 1986, which proposes a 32 per cent increase in net profit before minorities to A$1.025bn, with the fall in oil prices shaving a mere A$60m off the result. But the 1987 figure of A$980m, which implies only a 4 per cent fall, looks overstated by as much as A$125m if more conservative assumptions of the oil price and the A$-US$ exchange rate had been used. A US$18 barrel is a fairly robust estimate given the current price, while the sharp drop in exploration charges is just the sort of thing BHP accused Bell of planning. An Australian dollar at 65 US cents will tend to flatter both oil and coal earnings.

But if the prospect of all but maintained earnings is designed to reassure institutions, it may not work: at A$7.70 a share, the Bell cash offer includes quite a generous premium to BHP's share price, up 6 cents yesterday to A$6.50, and a multiple of 11 times some conservatively assessed 1987 earnings.

The temptation to tender half an institutional holding (or rather more, it may appear, through corporate cousins) and reinvest it in those equities sensitive to falling interest rates may be hard to resist – provided, of course, the Bell bid remains as advertised. Equally, the stability of earnings may be welcomed in the Bell camp as providing the scope for a dividend increase to help reduce the bid's leverage.

Guinness/Distillers

The latest Guinness offer document sports a Union Jack on the front cover and a letter from the chairman and the chief executive addressed to the shareholders of Distillers. It might as well have been addressed to Sir Gordon Borrie at Britain's Office of Fair Trading. For the moment at least, the Guinness campaign has swung away from the markets and towards the arbiters of competition policy who should be deciding within a few days whether the new-look Guinness bid can proceed.

The management of Guinness must feel peeved that the details of its financial arrangements with Distillers and Morgan Grenfell are currently attracting more interest than the industrial logic of its proposed merger. But it is open to doubt whether the investment audience – or Sir Gordon Borrie – will be won to its side by persistent references to the leadership of one individual and a literary style which borders on the bombastic.

Brazil welcomes price freeze package

Continued from Page 1

lis, who said the country had prematurely embarked on its deindexation course without fully extinguishing the fires of deficit spending.

New tax legislation passed last year, however, has increased government revenues. For the first time in years the Government over the past two months has redeemed $1.7bn more bonds than it has issued.

If the cruzado plan works, the extinction of monetary correction for Treasury bonds, the practice of adjusting bond values upward monthly according to a consumer price index, will save the Government even more money and help to balance the budget at year-end.

Although cribics are reluctant to admit it publicly, Mr Sarney has attacked the country's worst enemy – inflation – in a way that has won broad public support, increasing its chances of success.

The cruzado plan has deindexed the economy, with the exception of savings accounts, which will be revalued quarterly with the full value of inflation. Prices are frozen from last week for a year. Rents and mortage payments will be converted from cruzeiros into cruzados and then also frozen for a year. Old bills due in cruzeiros, such as car payments, will be paid according to conversion tables which gradually devalue the old currency against the new currency in the way that the cruzeiro was formerly devalued daily against the US dollar.

The cruzado is expected to hold its value better against the dollar, but will be devalued periodically if needed to protect Brazilian exports required to pay the yearly $10bn interest on the foreign debt.

The Government claims the emergency plans will reduce current monthly inflation from 15 per cent to 1.5 per cent.

The key to the success of the programme is heightened civic responsibility in a country famous for the *jeitinho*, or the artful circumvention of rules and laws. There were already rumours that merchants were skirting the price freeze by collecting payment a month later. But most observers bere have been amazed by the public's self-enlistment in the "war against inflation," as Mr Sarney described it.

Demoralised and sceptical after years of inflation and half-baked government remedies, Brazilians seem to recognise, particularly in the price and rent freeze, that the Government has finally demanded their respect and co-operation.

Management at Leyland Trucks endorses idea of GM takeover

BY JOHN GRIFFITHS IN LONDON

MANAGEMENT of Leyland Trucks, the subsidiary of BL, the state-owned UK vehicles group, yesterday gave its own implicit endorsement of a takeover by General Motors of the US. This was on the eve of the UK Government's deadline for parties interested in the BL division to confirm their intention to bid.

In a letter to Leyland Trucks employees, Mr Les Wharton, chairman and managing director, said, "We cannot just continue the way we are."

He told the workforce that the fact that GM had expressed an interest in Leyland Trucks should be regarded as "a compliment." It recognised that the truck division now had an "excellent" range of products and manufacturing facilities, backed by a high level of skills.

"With appropriate assurances, an acceptable offer from a multinational such as GM could well provide us with access to wider markets which would produce demands for higher production volumes from us. It could also provide the source of funds for future investment in products and distribution."

That the management of Leyland Trucks, which is still making losses against a background of 40 per cent over capacity in Europe, should itself be recommending a GM-style takeover, seems bound to embarrass some of the opposition Labour Party's fiercest proponents of keeping all of BL "British." It should also strengthen the hand of Mrs Margaret Thatcher, the Prime Minister, in insisting that GM remains the only feasible solution to Leyland Trucks' problem.

BL said yesterday that another "foreign" organisation which hed shown an initial interest in the trucks division had since withdrawn.

By last night, only GM and executives seeking a management buy-out of Land Rover bad complied with the formal requirements of today's "intention to bid" deadline.

GM is the only known contender for Leyland Trucks. But it also wants Land Rover as part of a package, thus placing itself in opposition to the management buy-out consortium, which is led by Land Rover-Leyland chairman Mr David Andrews. GM has already warned that it would be "a lot less interested" in the trucks concern if Land Rover were not to be included in the deal.

The Lonrho and Aveling Barford groups are also expected to signal their intention to make formal offers for Land Rover by today.

Leyland Bus, the subject of approaches from the UK's Laird Group, Volvo of Sweden and Aveling Barford, is not subject to today's deadline. More time is being allowed for its management, led by managing director Mr Ian McKinnon, to seek financing for a buy-out.

In his own letter to Leyland Bus employees yesterday, Mr McKinnon confirmed that efforts to pursue a buy-out were going ahead.

Mr Paul Channon, the Industry Secretary has stressed the need for the earliest possible resolution of the three companies' future. But no announcement is expected before the end of this month.

Final decisions will be made by the Government, in its capacity as majority BL shareholder, taking wider political implications into account.

In response to concern aired by some MPs about GM's level of commitment to the UK, Mr Peter Morrison, Industry Minister, told the House of Commons yesterday that GM was being asked for undertakings that most products sold by the businesses concerned would be manufactured in the UK.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	14	57	Dubrovnik	R	12	54	Malta	-	—	—	Rhodes	F	17	63
Algiers	S	20	68	Edinburgh	F	2	36	Manchester	F	1	34	Rio de J'o	C	31	88
Amsterdam	S	1	34	Faro	C	14	57	Manila	S	30	86	Rome	-	—	—
Athens	S	15	59	Florence	-	—	—	Melbourne	S	24	75	Salzburg	Sn	0	32
Bahrain	F	21	70	Frankfurt	C	1	34	Mexico City	S	24	75	San Francisco	F	19	58
Bangkok	S	27	81	Funchal	F	12	54	Miami	F	18	64	Seoul	S	8	48
Barcelona	F	16	61	Geneva	C	4	39	Milan	-	—	—	Singapore	F	29	84
Beirut	C	21	69	Gibraltar	R	15	59	Montreal	C	-2	28	Stockholm	S	1	34
Belfast	C	2	36	Glasgow	F	3	37	Moscow	Sn	-3	27	Strasbourg	F	1	34
Belgrade	Sn	0	32	Guernsey	S	3	37	Munich	C	-1	30	Sydney	C	23	73
Berlin	S	-3	21	Helsinki	C	0	32	Nairobi	C	28	82	Taipei	F	14	57
Biarritz	S	10	50	H. Kong	S	16	61	Naples	-	—	—	Tangier	C	16	61
Bombay	S	30	86	Innsbruck	F	4	39	Nassau	F	19	66	Tel Aviv	S	22	72
Bordeaux	C	5	41	Inverness	S	4	39	New Delhi	S	27	80	Tenerife	F	17	63
Brussels	S	-1	30	Islamabad	S	26	78	New York	F	-1	30	Tokyo	F	12	54
Budapest	C	1	34	Istanbul	R	11	52	Nice	C	13	55	Toronto	C	1	34
B. Aires	S	25	77	Jakarta	R	32	90	Nicosia	F	20	68	Tunis	S	22	72
Cairo	S	25	77	Jersey	S	3	37	Oporto	S	15	59	Valencia	F	17	63
Cape Town	S	23	73	Jo'burg	F	27	81	Oslo	F	1	34	Venice	-	—	—
Caracas	C	27	81	Lima	S	27	81	Paris	S	0	32	Vienna	F	-2	28
Casablanca	C	18	64	Lisbon	C	4	39	Peking	F	14	57	Warsaw	S	-2	28
Chicago	C	1	34	London	S	4	39	Prague	C	-1	30	Washington	C	1	34
Cologne	C	1	34	Los Angeles	F	13	55	Reykjavik	F	2	36	Zurich	Sn	-2	28
Copenhagen	S	2	36	Luxembourg	S	-1	30								
Corfu	F	16	61	Madrid	F	9	48								
Dallas	F	13	55	Majorca	S	16	61								
Dublin	F	5	41	Malaga	-	—	—								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Pound falls as oil prices drop

Continued from Page 1

the rules under which most forward cargoes of Brent have been traded in the past, has sent a telex to all its customers stating that in future it would demand that a performance bond would have to be deposited by anyone buying Brent crude from BP. The bond would be forfeited by any company which subsequently refused to honour its commitment to buy at the agreed price.

Yesterday, the only activity on the Brent forward market involved the lowest price seen in the seven years that Brent has been freely traded. A cargo of Brent crude for delivery in May was traded at $12.50 a barrel. Cargoes of Breot for prompt delivery were quoted in a range between £15.70 and $15.90 a barrel.

But Texaco, the fifth largest producer of British North Sea oil yesterday insisted that North Sea producers would continue to pump out their oil at full output, at these and lower prices.

Mr John McKinley, chairman of Texaco, said in London: "In the North Sea, people will produce their oil as long as the cost of lifting the oil allows a positive cash flow. People who see shutdowns of North Sea output at prices even significantly below those prevailing are mistaken." But Mr McKinley said that oil companies would significantly reduce their investment in exploration in all oil provinces.

Stockbrokers Herbert Wagg yesterday produced an analysis which showed that even if prices fell to $5 a barrel, only about 7 per cent of UK North Sea production would yield a negative casb flow.

Abu Dhabi, the largest oil producer in the United Arab Emirates, has cut its official crude oil prices by about a third. The price of Murban, its main crude, has been cut from $24.95 to $16.65 a barrel, backdated to February.

● Kathy Evans in Dubai adds: Kuwait is believed to have increased its crude oil exports from 200,000 barrels a day to up to 500,000 b/d, by selling its oil at prices as low as $14.50 a barrel.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday March 4 1986

Brown Boveri dividend dropped as profits slip

BY WILLIAM DULLFORCE IN GENEVA

BROWN BOVERI, the Swiss electrical engineering group, will pay no dividend to its shareholders for the first time in 47 years. The board proposed yesterday to pass the 1985 dividend "in view of the unsatisfactory profit picture."

Last year, SFr 30 was paid on each bearer share and SFr 6 on the registered shares for a total payout of SFr 26.5m ($13.8m).

The board also announced that Dr Fritz Leutwiler, who took over as chairman in June last year, will replace Mr Piero Hummel as chief executive "on an interim basis." Mr Hummel's resignation was reported last week.

Brown Boveri's consolidated earnings were not reported yesterday but the net profit in 1985 of the parent company in Baden slumped from SFr 28.4m in 1984 to SFr 7.5m. Parent company sales fell by about 10 per cent to SFr 2.5bn.

Consolidated sales grew last year by 24 per cent to SFr 13.9bn, according to provisional estimates, but the bulk of this increase was due to the invoicing of a high temperature nuclear reactor at Hamm-Uentrop in West Germany.

Brown Boveri said that while consolidated net earnings were expected to show an improvement on the SFr 85m posted in 1984, cash flow would decline by a few percentage points from the previous year's SFr 650m.

This decline was attributed to higher provisions for risks on new orders and reduced depreciation on investments in non-consolidated companies.

Mr Hummel's resignation one year before he was due to retire almost certainly reflects differences with Dr Leutwiler over financial policy. Mr Franz Luterbacher, the former chairman with whom Mr Hummel worked closely, pursued a policy of maintaining the shareholders' dividend even through lean years. Consolidated accounts were first published for 1984.

Dr Leutwiler, the former president of the Swiss National Bank, was appointed chairman last year to reinvigorate Brown Boveri, which remains one of the world's biggest producers of power generating and distribution equipment but has lost market share and shown poor profit performance in recent years.

In December, Dr Leutwiler announced a management re-organisation, splitting the group into 24 product divisions instead of the geographical structure under which it had been previously run. He also announced that direct control would be re-established over Brown Boveri's West German subsidiary through share purchases, increasing the part held by the parent company in Baden to 75 per cent.

Californian bankers back plan to ease interstate restrictions

BY PAUL TAYLOR IN NEW YORK

CALIFORNIA bankers have agreed to back legislation which would open up the fast-growing California market to competition from other states in two stages.

The agreement appears to be a victory for, in particular, the big New York banks which have been pushing hard for reciprocal interstate legislation with California – the most populous US state and one of the most dynamic banking markets.

New York is among a small handful of states which have already passed legislation permitting nationwide bank mergers and acquisitions across state lines. However most states, fearing the encroachment of the New York banks into their territory, have either excluded New York from regional reciprocal banking legislation or, like the California banks have proposed, set a two-tier timetable.

The California proposal has the backing of the state's big lenders including BankAmerica, Security Pacific and Wells Fargo and is expected to find support in the state legislature. If it is passed, interstate banking would be permitted as a first step between California and eight other western states – Hawaii, Alaska, Arizona, Nevada, Idaho, Utah, Oregon and Washington state.

Of these, Alaska and Arizona have already passed unrestricted national interstate banking laws; Nevada, Idaho and Utah permit reciprocal regional mergers and acquisitions; Oregon permits unrestricted regional banking and Washington state has passed a regional reciprocal banking pact.

BankAmerica already owns Seafirst, the Washington state banking group which it rescued from failure several years ago.

In California, full interstate banking would be allowed beginning in 1990 – permitting New York-based banks such as Citicorp and others direct access. The New York State Bankers Association has been pressing for such a provision for six years.

Court to rule on discount brokers

THE US Supreme Court has agreed to decide whether national banks may operate discount brokerage subsidiaries at sites that are not bank branch offices, AP-DJ reports from Washington.

The judges agreed to hear an appeal by the Comptroller of the Currency, whose approval of two bank applications to operate brokerage subsidiaries was successfully challenged in the federal court by the Securities Industry Association.

The comptroller's office says about 60 banks have applied to operate discount brokerages in addition to the two involved in the case: Security Pacific National Bank of Los Angeles and Union Planters National Bank of Memphis.

The legal question is whether discount brokerage offices that are not bank branches are still treated as branches under the law. If such offices are branches, they are subject to state legal regulation of branching by banks. Having to comply with state laws would thwart efforts by national banks to offer a wider range of financial services.

Change in tax rules lifts Saga Petroleum

By Fay Gjester in Oslo

SAGA PETROLEUM, the independent Norwegian oil group, achieved record profits last year of NKr 525m ($75m) before extraordinary items and year-end allocations, against NKr 268m in 1984. Part of the rise reflects a recent change in Norwegian taxation rules, which now require oil companies to count unrealised foreign currency gains as income.

Saga says the recent steep decline in oil prices has made it difficult to forecast this year's results. But advantageous forward sales of dollars, at well above the current exchange rate, will ensure that the company stays in the black provided oil prices fall no further from end-February levels.

Operating profits for 1985 fell from the previous year – to NKr 335m from NKr 413m, despite a rise in operating income to NKr 1.12bn from NKr 1.01bn. The decline was due partly to higher operating costs, as Saga's staff has expanded, and partly to another change in accounting practice, whereby a larger proportion of exploration expenditure has been counted as a current operating cost, instead of being capitalised for future depreciation.

Sales of oil and gas from Saga's stakes in operating fields – Statfjord and Murchison – yielded NKr 818m against NKr 755m in 1984. The company has had to borrow heavily to finance its investment obligations in a number of fields now being developed, in which it is a partner. Its investment in Norwegian Shelf projects this year is put at NKr 1.5bn.

While it expects oil prices in the 1990s to be back at levels which would justify new field development, Saga says it is adapting its activities in the short term to the new price situation. This could mean a delay in developing the deep-water Snorre oil and gas field, where Saga is operator company in a consortium which also includes Statoil, Norsk Hydro, Esso, and several other US and European oil companies.

Buehrmann lifts payout as profits rise

By Laura Raun in Amsterdam

BUEHRMANN-TETTERODE, the Dutch paper products company, reported its net income rose 70 per cent to Fl 57.3m ($22.8m) in 1985 and that its dividend would be raised by Fl 1.40 to Fl 5.20 a share.

The sharp increase, which follows similar profit rises in the past two years, was attributed to the printing machinery and the paper and packaging divisions.

Growing investments in the printing division helped to lift earnings. The paper and packaging division benefited from diversification and upgrading of the product range.

The third division of graphics paper, office equipment and toys, however, apparently remained flat as efforts continued to control costs and to slim operations. Provisions for re-organisation of this division were made in 1984 and the slimming operations are not expected to be completed until this year, including the mooted sale of publishing operations.

Lac Minerals earnings fall sharply

By Our Financial Staff

CANADA'S gold-producing Lac Minerals reports 1985 earnings of C$6.13m (US$4.3m) or 23 cents per share, before extraordinary credits of C$4.5m. In 1984 there were no extraordinary items and earnings totalled C$31.79m.

Exploration charges and write-downs in the past year amounted to C$23.95m against C$13.44m. The cash flow from operations fell to C$43.69m from C$74.06m, reflecting lower gold production and prices. Gold output this year, however, is expected to expand to 450,000oz from 265,925oz in 1985.

The boost will come from the new Page-Williams gold mine in the Hemlo area. This is one of four major projects on which Lac spent some C$177m last year.

Siemens signs parallel processor agreement

BY LOUISE KEHOE IN SAN FRANCISCO

SIEMENS of West Germany has agreed to buy $50m worth of computer equipment from Sequent Computer Systems of Beaverton, Oregon, a two-year-old manufacturer of "parallel processor minicomputers."

As part of the agreement, which covers "a few years," Siemens will gain the right to manufacture Sequent's Balance 8000 parallel processors. The companies will also exchange technology, with Siemens developing commercial software applications for the Sequent machines.

Parallel processors are computers in which several microprocessors – in this case National Semiconductor's 32-bit micro – work in parallel on a single task. A benefit of the approach is that additional processors can be added as a user's requirements expand, either speeding up single applications or expanding the number of individuals who can use the system.

Sequent has pioneered the design of parallel processor systems. It achieved sales of $5m last year and expects to grow dramatically in 1986. Siemens' adoption of the Sequent design is one of the first applications of parallel processors to general purpose commercial applications. Previously, parallel processors have been used primarily in scientific and engineering applications.

"We are pleased to see a situation where parallel processing has infiltrated into mainstream applications," said Mr Casey Powell, Sequent president.

Ahold plans to increase dividend

By Our Financial Staff

AHOLD, the Dutch foods group, reports improved profits for 1985 and is increasing its dividend by 10 cents a share.

Net profits rose to Fl 122.5m ($49m) from the Fl 108.6m of 1984, after an increase to Fl 12.1bn in turnover. Sales for 1984 totalled Fl 11.1bn.

Per-share profits are Fl 7.38, against Fl 6.63.

Bull back in black with earnings of FFr 110m

BY DAVID MARSH IN PARIS

BULL, the state-owned French computer group, returned to the black last year with a net profit of FFr 110.2m ($16m) after four years of losses.

The results, higher than the forecast made in January of a FFr 20m profit, compare with net losses of FFr 489m in 1984.

Sales last year rose 16.5 per cent to FFr 16.1bn. The return to profit was achieved as the result of widespread restructuring and a heavy injection of government funds during the past few years. It coincides with an improvement in the financial performance of most of the other industrial companies takeo over by the Socialist Government in 1982.

Zale takeover bid opposed

MEMBERS of the Zale family controlling the equivalent of a 35 per cent stake in Zale corporation, the world's biggest jewellery retailer, have agreed to act together to oppose a US$520m offer to acquire the company by Peoples Jewellers of Toronto.

The family group said in an SEC filing that they wanted the company to remain independent.

French bid to speed up takeover battles

BY DAVID HOUSEGO IN PARIS

TAKEOVER battles could be speeded up in France after a decision yesterday by the Ministry of Finance to abandon the requirement that bids be submitted to it for approval. The move is in line with the liberalisation of financial markets by the Socialists.

Axa, the French insurance group involved in a takeover battle for control of Providence, another of France's private insurers, welcomed the decision. Company officials said it was a recognition that French private companies were of sufficient size to do battle among themselves.

Axa has been involved in a takeover battle with the Compagnie du Midi financial group for control of Providence since last November. The conflict has dragged on in part because of the length of French administrative procedures.

Until now, the Ministry of Finance has had 15 days in which to approve a bid after it had been previously approved by the COB (the Stock Exchange Commission). The Ministry's task was to see that the bid conformed with the law but its role has become increasingly a formality.

The Finance Ministry will still subject takeover bids from foreign companies to scrutiny

Apart from the battle in the insurance sector, Biderman, the textile group, is involved in a takeover battle with Primisteres, the retail group, for control of Radar, another retail concern.

Takeover battles have, however, been few in France in recent years. Despite the relaxation by the French Ministry, takeover bids will still have to be submitted to the COB.

Schering-Plough set to buy Key Pharmaceuticals

BY OUR FINANCIAL STAFF

KEY Pharmaceuticals, a Miami-based manufacturer of prescription and over-the-counter drugs, said yesterday it was discussing a "possible business combination" that could lead to a $600m takeover by Schering-Plough, its much larger rival.

Key said the transaction, if completed, would result in its shareholders receiving, on a tax-free basis, 0.265625 shares of Schering-Plough for each Key share. Based on the closing price on Friday for Schering-Plough, this produces a $17 price for each Key share.

Key's shares, quoted on the American Stock Exchange, were suspended briefly early yesterday but resumed trading at $15, down ⅛ from Friday's close.

Acquisition of Key would strengthen the pharmaceuticals business at Schering-Plough, which also has interests in veterinary products, contact lenses, cosmetics, toiletries and Scholl foot care products.

The main attraction for Schering-Plough is likely to be Key's proprietary technology for controlled drug release, an area which many analysts believe could produce big profits in coming years. Most of the large drug groups rely on smaller companies, such as Key and its rival, Alza, to provide the technology.

Key's principal product is Theo-Dur, a controlled-release bronchodilator for asthma sufferers. Key is also launching an improved version of its nitroglyerin skin patch, Nitro-Dur II, for treating angina transdermally.

Key had sales of $151.1m in 1984 and net profits of $22.1m or 61 cents a share. New products and a lower effective tax rate are expected to lift profits to about 90 cents this year.

Boral rises 37% at midway

BY OUR FINANCIAL STAFF

BORAL, Australia's leading building products group, boosted net earnings 37.4 per cent to A$74.42m (US$52.07m) in the half-year to December, benefiting from international expansion and construction activity in its domestic market.

The company said earnings rose appreciably in Britain as well as in the US where it now ranks as the largest maker of clay bricks.

The attributable result was further enhanced by extraordinary gains of A$9.41m, against A$2.9m in non-recurring losses last time.

Sales rose 19.5 per cent to A$919.74m.

Boral expects a favourable second half although housing starts in Australia are forecast to decline. The interim dividend is being maintained at 7.5 cents.

Road surfacing, another large segment of Boral's business, has been a beneficiary of a federal programme to upgrade key routes in commemoration of the Australian bicentennial in 1988.

● Equiticorp Tasman, a recently formed New Zealand investment company, has accumulated an 18.2 per cent stake in ACI International, an Australian maker of glass and containers. ACI has for some months been viewed as a potential takeover target.

Equiticorp, headed by Mr Allan Hawkins, has a strong contingent on its board of former corporate finance executives. The move into ACI is believed to be its most sizeable investment to date. Purchases were made both outside and in the market where the latest price paid was A$3.35 a share.

Swedish Match profits edge ahead

By David Brown in Stockholm

SWEDISH MATCH, the diversified industrial group which is the world's leading manufacturer of matches, reports little changed operating profits for 1985 of SKr 630m ($88m) after depreciation, compared with SKr 624m the previous year.

Sales climbed 11 per cent to SKr 10.71bn with three quarters of the total generated abroad.

Net financial costs of SKr 271m, reflecting in part a series of acquisitions, brought the result before appropriations and taxes to SKr 359m, against SKr 370m in 1984.

Swedish Match said results improved during the final four months. It expects the trend to continue and forecasts better earnings in 1986.

The board has recommended a dividend increase of SKr 1 to SKr 10.50.

Virtually all the group's main divisions except matches improved both sales and operating results. The match division saw earnings decline from SKr 204m to SKr 170m despite stronger sales. The company says markets were highly competitive and margins narrow.

The Akerlund and Rausing consumer product division saw earnings rise from SKr 114m to SKr 125m on sharply stronger sales.

Troubled Austrian wine group sheds jobs

BY PATRICK BLUM IN VIENNA

LENZ MOSER, Austria's largest wine exporter, is to sack more than a third of its workforce and seek a business partner in efforts to overcome its financial difficulties. The company said its problems were caused by the collapse of exports after the discovery last year that large quantities of Austrian wine contained toxic chemicals.

The company, which faces heavy debts, is to sack 60 of its 150 workers. It will also seek an arrangement today with its creditors over debts amounting to Sch 140m ($9m). The company hopes to persuade creditors to waive up to 60 per cent of the debt.

Mr Laurenz Moser, owner of the business, one of Austria's oldest wine-making and trading houses, said yesterday that he hoped creditors would agree to payment of only 40 per cent of the debt.

The company is negotiating with potential partners to help it out of its difficulties. According to Austrian law it has up to 90 days to come to an arrangement with its creditors. Lenz Moser, with recently-valued assets of Sch 199m, stopped payments to creditors last month in advance of lodging a formal application with the court on rearranging its debt.

Mr Moser says that none of his company's wines was found to contain glycol but that its exports have fallen by more than 80 per cent since the wine scandal.

Bank Julius Baer earnings jump 21 per cent

BY JOHN WICKS IN ZURICH

BANK Julius Baer, of Zurich, pushed its net earnings up 21 per cent to a record SFr 28.8m ($15m) last year. The dividend paid to the parent company, Baer Holding, is to be increased from 16 to 17 per cent.

Gross profits were up by a third in 1985 to more than SFr 194m and have more than doubled over the past five years. This further growth in earnings last year was accounted for largely by a 40 per cent rise in net commission income to SFr 102.8m, primarily reflecting expansion in stock-market activities.

Elsewhere, profits from foreign-exchange and precious-metals trading improved by 18 per cent to SFr 34.7m, while income from securities went up 38 per cent to SFr 29.6m and net interest earnings by 17 per cent to SFr 18.1m.

The bank's balance-sheet total expanded by 13 per cent to SFr 2.74bn in keeping with the marked growth in overall business volume. Loans and advances to clients went up 15.1 per cent to SFr 1.11bn of the assets sum and the due-from-banks total by 6.8 per cent to SFr 731m.

On the liabilities side, clients' funds expanded by 14.6 per cent to SFr 1.47bn and the due-to-banks figure by 4.7 per cent to SFr 850m.

GM in talks on Vienna plant

BY PATRICK BLUM IN VIENNA

GENERAL MOTORS (Rochester Division), part of the US car group, is negotiating with the Austrian Government to set up a plant in Vienna to make electronic components for cars, the company said in Vienna yesterday.

The company is also negotiating with the French and Luxembourg governments about the same project.

GM already has a large engine and gearbox plant in the Austrian capital (General Motors Austria Werke) with all the production going for exports to other GM plants in Europe.

The Austrian plant started production in September 1982. The total investment to date for the plant has been Sch 7.8bn ($498m), a third of which was provided by the Austrian Government and the City of Vienna. About 2,500 workers are employed at the plant. Last year its exports were worth Sch 5.8bn.

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INTERNATIONAL COMPANIES and FINANCE

Hawke drops idea of BHP inquiry

BY LACHLAN DRUMMOND IN SYDNEY AND EMILIA TAGAZA IN CANBERRA

THE AUSTRALIAN Federal Cabinet has backed away from instituting an inquiry into the Bell Resources partial takeover bid for Broken Hill Proprietary (BHP), opting instead for a ministerial committee with a week-long brief to seek assurances from both Bell and BHP management on the future of Australia's largest company.

Meanwhile, BHP was yesterday freed by the courts to issue profit forecasts for the year to May and for 1986/87. These show a 33 per cent jump in net earnings — before minority deductions — for the current year and a 4.3 per cent decline in the next.

The seven-member ministerial committee, including Mr Bob Hawke, the Prime Minister, and Mr Paul Keating, the Treasurer —the latter playing a key role in promoting the free market view in Cabinet — will report back next Monday.

Details of the undertakings from both sides will be made public and the Cabinet will be free to pursue an inquiry should it wish. However, such a step appears unlikely.

The committee will specifically seek a written assurance from Mr Robert Holmes à Court, who heads Bell, about his intention for the steel division and the jobs attached to it, if he wins control.

Mr Hawke had seemed set on an inquiry, after intense pressure from trade unions which were worried that Mr Holmes à Court might sell off the steel division, a major employer. Mr Hawke said: "There may be certain enterprises which are so significant as to warrant some investigation as to whether the public interest could be jeopardised by a takeover."

One factor that helped Mr Keating argue his point was the anticipated reaction by BHP shareholders. An inquiry would have delayed the bid, in which case Mr Holmes à Court threatened to withdraw. That would have deprived shareholders of the choice of taking the bid of A$7.70 a share for half of their holdings, compared with a closing market price yesterday of A$6.50.

BHP's forecast of net profit for the current year of A$1.025bn (US$717.2m) is in line with the average of predictions from the broking community, although the A$980m forecast for 1986-87 falls at the high end of expectations.

The current year prediction compares with the A$774m pre-minorities result for 1984-85 but takes in a drop in the second half to A$438m from A$589m in the opening period, although this will still represent an A$3tm advance on the closing half of 1984-85.

BHP notes that the current year forecast is A$60m down because of the recent sharp decline in the domestic oil price in line with the decline in world market values.

The full impact of the drop in oil revenues is expected to be felt in 1986-87 with the domestic petroleum division profits estimated to fall to A$394m from the A$525m prediction for the current year.

The forecast has built into it an average US$18 a barrel oil price and a drop in average output for the half-owned Bass Strait oilfield from 496,000 barrels a day to 430,000 b/d.

All forecasts for the group allow for an exchange rate of 65 US cents to the Australian dollar, down on the recent trading band of 69 to 72 cents.

BHP said a US$t e barret shift in the oil price moved group profits either way by A$24m a year, while a t cent alteration in the exchange rate moved earnings by A$15m.

BHP, in addition to its earnings forecasts, yesterday released details of an oil find in the Timor Sea which it regards as of greater potential than the nearby Jabiru field, due to begin production in July, writes Gordon Cramb.

A drilling test in an area called Challis-2A, some 375 miles west of Darwin, produced a flow rate of 9,380 barrels a day. This compares with a 7,500 b/d test rate from Jabiru, where initial output is expected to reach 13,000 b/d.

BHP is operator and half owner of the Challis permit, in which Esso is due soon to take a further 18.75 per cent stake.

Sing Tao share offer twice oversubscribed

BY DAVID DODWELL IN HONG KONG

THE OFFER by Sing Tao, the Hong Kong-based publishing, printing and property group, of 25 per cent of issued capital was twice oversubscribed, the company revealed yesterday.

The group, which is controlled by Miss Sally Aw Sian, only eight months ago shifted its domicile to Australia in a series of complex corporate manoeuvres at the end of which Sing Tao became a subsidiary of a shell company called Cereus Australia.

Sing Tao owns two leading Chinese language newspapers in Hong Kong, as well as the Hongkong Standard, one of the territory's two English language dailies. Apart from a substantial printing operation, it has also recently moved into property.

Sing Tao offered 48m new shares, and 12m existing shares, priced at HK$1.80 e share, and intended to raise HK$102m (US$13m). The company revealed yesterday that when the offer closed last Friday, it had received 3,571 applications for a total of almost 183m shares, making the offer subscribed by 3.05 times.

Details of how shares will be allotted between successful applicants will be announced on Thursday this week. Dealings in Sing Tao shares are expected to start on March 19.

Colony looks at proposals for Hang Lung Bank sale

BY OUR HONG KONG CORRESPONDENT

PROPOSALS for the early sale of Hang Lung Bank, which was rescued at unknown cost by the Hong Kong Government late in 1983, are to be put to the territory's Executive Council today.

The preferred of four options is thought to be a plan to sell the bank at the earliest opportunity, after a capital reconstruction as part of which the Government would settle accumulated past losses out of government coffers, probably the secret Exchange Fund.

Sir John Bremridge, Hong Kong's outgoing Financial Secretary, has talked for two years of putting the bank back into the private sector. He was galvanised last summer, when the collapse of Overseas Trust Bank (OTB) and its subsidiary, Kongkong Industrial and Commercial Bank (HICB), made the Government the reluctant owner of three banks.

News of the government proposal to financially aid the sale of Hang Lung comes as the Peking-based China International Trust and Investment Corporation (Citic) is concluding an agreement to purchase Ka Wah, another ailing local bank. The Hong Kong Government has "sweetened" this sale by promising to guarantee bad and doubtful loans

Siam Cement boosts net profits 21%

By Boonsong K'Thana in Bangkok

SIAM CEMENT, one of Thailand's largest industrial companies, boosted net profit 21 per cent in 1985 to 939m baht ($35.6m).

This was despite a fall of 7.3 per cent in sales to 12.54bn baht because of the slowdown in the country's economy which affected the construction industry.

Mr Paron Isarasena, the company's president, attributed the rise in net profits to additional earnings from its subsidiaries

Pakistani energy groups show strong advance

BY MOHAMMED AFTAB IN ISLAMABAD

TWO LEADING companies in the Pakistani energy industry have reported strong profits progress for the year to last June.

National Refinery, the state-owned oil products manufacturer, increased sales to PRs 8.1tbn ($507.5m) from PRs 7.83bn although volume production was down to 2.20m tonnes from 2.25m tonnes.

Net profits were 2.5 times higher at PRs 120m. The dividend is being kept at 18 per cent.

The refining complex produces fuel and lubricants.

Sui Northern Gas Pipelines, the natural gas distributor for the Punjab and North-West Frontier region, supplied 361m cu ft of gas, compared with 339m cu ft the previous year. It has half a million consumers, domestic, commercial and industrial.

On revenues which rose 8.5 per cent to PRs 2.3bn, profits before tax were PRs 278m, up 26 per cent.

Showa Shell Sekiyu falls into loss

By Yoko Shibata in Tokyo

SHOWA SHELL SEKIYU, the Japanese downstream oil company established through a merger last year of Showa Oil and Shell Sekiyu, yesterday reported a maiden pre-tax loss of Y18.55bn ($102.8m) for 1985.

The sharp turnaround, from Y9.87bn combined profits of two companies in the previous year, was blamed on falling demand

The company will pay a per-share dividend of Y4, against Y3 and Y5 previously

Grupo Alfa forced to recast debt plan

By David Gardner in Mexico City

GRUPO ALFA, Mexico's largest private bolding company and Latin America's biggest private foreign debtor, has advised its international creditors that the proposed restructuring of its $2.6bn debt, painstakingly worked out over the past three years, is no longer viable.

Lower than expected growth in the Mexican economy and the constraining effect of government price controls on the group's steel business means that the cash flow figures originally envisaged in the restructuring package are out of date, according to Alfa executives.

Like the Mexican Government itself in the wake of this year's collapse in the international oil market, Alfa is now having to rework projections before seeking a new formula through which to meet its foreign debt obligations.

Among the options being considered, according to Mr Ernesto Canales, secretary of the Alfa board, is that creditor banks swap a portion of the group's debt for Mexican public debt.

Alfa, the flagship of the private sector, with its core businesses in steel and petrochemicals, suspended principal repayments in April 1982 in the run up to Mexico's financial collapse that year. In August 1982 it deferred around 70 per cent of its interest payments.

At the beginning of last year, after extraordinarily complex negotiations, agreement in principle was reached on a plan for Alfa's bankers to convert $300m of holding company debt into 30 per cent of the group's common stock. A further $50m of the debt would be converted into non-interest debentures, which the banks could turn into a further 15 per cent of equity after 12 years. The remainder of the debt was to be repaid over 12 years at 10 per cent and with five years' grace.

This agreement was due to be finalised early this year. It was based on the premise that after the 1983-85 austerity programme Mexiro agreed with the International Monetary Fund, 1986 would see the economy return to sustained growth.

Instead, there was premature expansion in 1985 which the Government responded to with a fourth year of deflation in the 1986 budget. This budget anticipated nil growth this year, but even this now looks in doubt, after the collapse in the price of oil.

At the same time, Alfa's steel business, which generates about a third of cash flow and 45 per cent of consolidated income, is being crippled by price controls. In the last four years, steel prices have lagged badly behind inflation, but the cost of inputs has far outstripped both. For example, the key input in the direction reduction steel making process pioneered by Hylsa, the group's steel concern, is gas, the cost of which has risen more than four times the rate of inflation in the last four years.

The Government last month authorised steel price increases of just under 7 per cent. But Alfa argues that it cannot sustain its financial costs at this level of pricing.

Preliminary figures for this year show that the group's full debt service bill, before adjustment for inflation, would amount to 220bn pesos on total income of around 400bn pesos.

The $2.6bn debt is split in almost equal thirds between the holding company, which makes no repayment until a rescheduling is finalised; Hylsa, which is current on three quarters of its repayment; and Alfa's 120 odd subsidiaries.

Talks on a new re-structuring agreement for Alfa are still very much in the exploratory stage until more realistic cash flow projections can be worked out. But if the debt swap option prospers, it is likely to involve "a very substantial discount," according to Mr Canales, with perhaps each $5 of Alfa's obligations being exchanged for $1 of sovereign debt.

Income at Gulf International Bank up 5%

GULF International Bank (GIB) lifted net income 4.9 per cent last year to $67m, in contrast to the weaker trend shown by most other banks in the region, Reuter reports from Bahrain.

The growth was attributed to a 4 per cent rise in net interest and fee revenue to $96.2m, offsetting a 1.9 per cent gain in operating expenses to $43.5m.

GIB, based in Bahrain, is owned jointly by the six Gulf Co-operation Council governments and Iraq.

Total assets of $7.8bn were up 4.9 per cent. Total deposits amounted to $6.5bn, up 3.2 per cent

Long-dated Quebec offering well received

BY MAGGIE URRY

QUEBEC was the latest borrower to launch a 30-year Eurodollar deal yesterday. The reception was good enough to allow book-runner S. G. Warburg to increase the issue size from $200m to $250m.

Sovereign and supra-national names seem to be more acceptable to investors as issuers of such long-dated debt and some recent corporate borrowers have met a less enthusiastic response. Terms for Quebec's issue were set at a 9 per cent coupon and 99½ issue price. With fees of 2½ per cent the yield was around 80 basis points above US Treasury yields at launch. That spread was considered attractive enough and the bonds were trading at around 97½, comfortably within the fees.

Elsewhere, however, the familiar story of Eurodollar bonds lagging behind the New York bond market's rise was told again. While the US credit markets opened firm, Eurodollar bonds were up by only about ½ point on average with some prices unchanged.

With Eurobonds lagging, the mathematics of swaps are not attractive and fewer borrowers are now coming to the Eurodollar market for money. Nor are investors keen to buy dollar bonds with the currency still unsettled. The other two fixed rate dollar bonds yesterday came from Japan Airlines (JAL) and Algemene Bank Nederland (ABN). Both were expected to find demand among investors at home.

The JAL deal was considered to be aggressively priced. Lead manager LTCB International set terms for the $150m 10-year deal at a 8⅜ per cent coupon and 100⅜ issue price. With fees of 2 per cent the spread over US Treasury yields was only 8 basis points at launch. The bonds are guaranteed by Japan. Traders reported little demand in Europe and the bonds were quoted just within the fees.

ABN's issue, also for $150m, was led by Swiss Bank Corporation International and has a five-year maturity, an 8½ per cent coupon and 101 issue price. The yield, taking account of the 1⅞ per cent fees, was around 62 basis points above the US Treasury curve. While ABN is a well-known name on the continent and the bonds should sell well through the bank's own retail network, some dealers said that the issue was moving slowly, though within its fees.

Sumitomo Finance Asia launched the first zero coupon yet seen for a Japanese bank. It is guaranteed by Sumitomo Bank and led by Sumitomo Finance International. The five-year deal has a redemption value of $100m and was priced at $68. Less the 1⅜ per cent fees the yield to maturity is 8.46 per cent, equivalent to around 45 basis points above US Treasury yields. This was regarded as fairly generous given the parent's AAA rating, though some syndicate managers questioned whether there is large demand in Europe for this type of issue. The bonds were quoted well inside the fees though at around 67½.

Japanese equity-linked issues have proved popular recently and a new issue for Omron Tateisi Electronic traded well above par. The $100m five-year issue carries equity warrants, and Nomura International indicated a coupon of 4⅜ per cent. Issue price is par.

Last week's issue for Renown, which also has equity warrants, was increased by lead manager Daiwa Europe from $100m to $130m and the coupon was cut from the indicated 4½ per cent to 4¼ per cent. The coupon for Tokyu Construction's $50m equity warrant deal was also cut, from 4⅜ to 4¼ per cent by Yamaichi International (Europe).

In the sterling market Baring Brothers announced an offer for sale for a bulldog issue for Inter-American Development Bank which will eventually be merged with an earlier issue. This tranche is for £75m and, like the £100m deal launched at the end of 1984, has a 2015 maturity and 9½ per cent coupon. But, whereas that was priced at 10 basis points over the reference gilt, this tranche will be priced tomorrow afternoon at 35 basis points above the Treasury 13½ per cent 2004-08, the finest margin yet seen in this market. The new tranche is in partly-paid form and applications must be made by Thursday morning.

This may prove to be the last bulldog issued by an offer for sale as the changes taking place in the sterling domestic bond market could lead to issues by way of placings.

Austria started the DM 3.9bn March (Deutsche Mark) new issue calendar off with a DM 400m issue for 12 years. Westdeutsche Landesbank set the coupon at 6 per cent and issue price at 100¼. The terms were seen as reasonable given the recent strength of the market and the bonds traded comfortably within the 1½ per cent selling concession.

The fashion for dual-currency issues has reappeared in the Swiss franc foreign bond market and yesterday IBM Credit launched a SFr 200m eight-year deal. This has a 6 per cent coupon and par issue price, but the redemption will be in dollars at $3,000 per SFr 5,000 bond, giving a break-even rate of around 5 per cent. Credit Suisse is lead manager.

Saditic set the final terms for Charter Medical's SFr 100m 15-year dual-currency issue as indicated at a 7½ per cent coupon and par issue price. Redemption will be at $3,420 per SFr 5,000 increased from an indicated $3,250. There are put and call options after 12 years.

Currency-linked deals are a regular feature of the Euroyen market at present, though dealers believe that the only real demand for them is in Japan. Bonds from non-Japanese issuers cannot be sold immediately into Japan, however, and some warehousing takes place in Europe. Oesterreichische Kontrollbank is raising Y20bn through a 10-year deal led by Nomura International and guaranteed by Austria.

Redemption will be in yen but at an amount determined by the yen/dollar exchange rate at the time. If the yen is at Y169 to the dollar redemption will be at par. If the yen strengthens further the redemption amount will be less, and vice versa. The coupon at 8 per cent compensates for some of the currency risk. Issue price is 101½.

Saskatchewan launched a similar Y15bn issue which has a five-year life and a 7½ per cent coupon. Issue price was fixed at 101½ by Nikko Securities (Europe). Here the redemption amount will be paid in dollars and an exchange rate of Y171 to the dollar will give a par redemption. Neither of these issues was trading actively yesterday.

Shinren credit unit's investment rule eased

By Our Tokyo Staff

THE AGRICULTURAL Forestry and Fisheries Ministry in Japan is to allow the Shinren, federations of agricultural credit co-operatives, to buy foreign currency-denominated bonds and Euroyen bonds from next month. The 47 federations manage the asset of cash-rich Nokyos, agricultural co-operatives, across the country.

The agricultural co-operatives, with deposits of Y37,000 ($205bn) constitute the second largest financial institution in Japan after the postal savings with deposits of Y97,000bn.

However the organisations are threatened by flagging profit margins as their investment in high-return financial instruments are restricted. Such investment is now available to other institutions under the deregulation of the financial industry. The agricultural ministry has seen the need to strengthen the finances of the agricultural organisation by giving them equal access to high-yield instruments.

Initially only the 17 Shinren's handling more than Y700bn in savings, will be allowed to invest in foreign currency bonds up to 2 per cent of their savings accounts deposits.

To avoid a massive outflow of capital, their overall buying of foreign bonds in the first year, starting April 1986, will be restricted to $300m. No limit will be imposed on their purchase of Euroyen bonds, thus treating them the same as that for their buying of domestically issued bonds.

Bank capital ratios set to rise in Japan

BY YOKO SHIBATA IN TOKYO

THE Japanese Ministry of Finance is drawing up new guidelines for banks' capital ratios, in line with the recommendations of its advisory committee on the financial system.

Under the new guidelines, which are expected to be implemented in May by an administrative order of the MOF's banking bureau, Japanese banks' ratios of equity capital to assets would be increased to around 5 per cent—comparable with those of competing institutions in other industrial countries. At present the 13 city banks (commercial banks) have an average ratio of around 2.4 per cent, the long-term credit banks 2.5 per cent, and the trust banks 2.7 per cent.

The MOF's new guidelines provide for:

- The inclusion in banks' equity capital of their "hidden reserves"—in the Japanese context, the difference between the historic value and the current market value of their securities holdings. Officials believe that this step alone would take many banks' equity base above 5 per cent of their assets.
- Tighter limits on individual large loans, and the extension of ceilings on lending to any single client to include loans or loan guarantees to a bank's affiliates.
- The scrapping of present ceilings on banks' dividends.

With the current guidelines, banks have complained that they have only limited scope to raise more equity and that this is, in any case, a costly way to improve their capital ratios.

The new guidelines will be put into place in parallel with the MOF's existing plans, announced last year, to introduce so-called risk asset ratios, in line with international supervisory authorities' insistence that banks should commit capital against their obligations under revolving underwriting and note issuance facilities.

Regionals try Euromarket

SEVERAL OF Japan's larger regional banks, with the blessing of the Ministry of Finance, are preparing convertible bond issues to be launched in foreign markets as a means of adding to their equity capital base and thus improving their gearing ratios, Yoko Shibata in Tokyo writes.

City banks (commercial banks) and regional banks have in the past been prohibited from issuing long-term debt capital as part of the rigid separation of their banking business from that of the long-term credit institutions.

Last year the ministry allowed several of the big city banks to issue convertibles on the Euromarkets, and it is now encouraging the large regional institutions to do the same.

Although many of the 64 regional banks are little-known names outside Japan, no fewer than 51 of them count among the 500 biggest banks in the world. Several of those based in larger cities, such as Tokyo and Osaka, have been expanding aggressively into international business, and the MOF now treats them administratively as small city banks.

Five large city banks carried out convertible issues last year in the Euromarkets in response to MOF pressure to increase their equity base.

West German railway gets 30-year deal

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

DEUTSCHE BUNDESBAHN, the West German railway network, yesterday became the second government agency within a month to raise 30-year finance in the international capital markets through the intermediary of a specially created Channel Islands company.

The deal will raise about DM 400m in cash. It follows closely the pattern set by the Federal Post Office with its pioneer bond launched last month and is led by the same two banks. Commerzbank is running the books and is joint lead manager with Salomon Brothers.

The borrowing will provide the Federal Railways with 30-year money at a yield almost identical with that on 10-year government bonds. Such long-term funds are not available on the domestic market but are needed by the Bundesbahn to match its depreciation schedules.

Under the package a special company, Series B Euro-DM Securities, has been created in the Channel Islands for the special purpose of buying a 30-year Schuldschein loan from the Bundesbahn. This loan is being repackaged and sold in the Euromarkets as a private placement and a three tranche zero coupon bearer bond.

Salomon Brothers said yesterday the first ten years of interest payments are being split off and sold as an annuity privately with institutional investors in Germany.

Thereafter the Schuldschein will pay interest at irregular intervals starting at year 15. These payments form the principal amount of a 15-year zero coupon issue priced at 38.05 per cent to yield 6.65 per cent.

This is followed by a 20-year zero coupon issue priced at 28.35 per cent to yield 6.5 per cent and finally by a 30-year zero coupon with the face value of DM 766.5m including the principal on the Schuldschein as well as the remaining interest.

This is priced at 17.60 per cent to yield 5.96 per cent. All three zero-coupon issues were trading above their issue price yesterday afternoon, with the 30-year tranche trading as high as 18.10.

Bankers said the 30-year tranche attracted the most interest both since it was the largest and had the most leverage because of its maturity.

They said demand for the paper came from retail investors in Germany for whom the purchase of zero coupon bonds offers a means of deferring tax. Under German law tax on zero coupon earnings is only payable on maturity or when the bonds are sold.

But they said there was also demand for the paper among portfolio managers in the Far East, Europe and even in the US.

The structure of the deal follows closely on the coupon stripping of Treasury bonds which Salomon pioneered in the US market. Total fees for the borrowing are 2½ per cent of the cash proceeds.

- The West German Government yesterday launched a DM 3bn 12-year 6 per cent bond issue on the domestic market. It was priced at 100¼ per cent to give a yield of 5.94, and traded initially at a discount of ¼ per cent.

Japanese show appetite for foreign issues

JAPANESE investors continued to be net purchasers of foreign bonds in January, although at a lower rate than in December, the Finance Ministry said, AP-DJ reports.

Their net purchases by January totalled $5.74bn, down from $6.83bn in December. However, purchases of $76.06bn and sales of $70.31bn set all-time records and were far greater than December's purchases of foreign bonds which were $49.5bn and sales of $42.68bn.

Investors flocked to foreign bonds in January because of their relatively higher rates of interest. The establishment of several new funds in February and March by Japanese securities houses, which can invest half of their assets in foreign bonds, should help boost purchases of foreign issues in future.

Foreigners bought about $10.64bn worth of Japanese bonds in January while selling about $10.48bn for a net purchase of $162m far below the $1.48bn seen in December.

Warrant and Shogun bonds for Tokyo

WARRANT BONDS and Shogun bonds were traded on the Tokyo Stock Exchange (TSE) for the first time yesterday, and encountered unexpectedly brisk buying.

Warrant bonds are corporate bonds with a warrant giving the right to buy new shares, while Shogun bonds are foreign bonds denominated in foreign currency. The TSE permitted the listing of the bonds as part of a drive to internationalise the market and expand its functions.

The first warrant bonds listed are those of Tokyo Department Store Co, and the first Shogun bonds are issued by the World Bank.

The warrant bonds traded at Y133.70, a sharp rise from an over-the-counter nominal price of Y118 last weekend. Turnover reached Y2,973m.

World Bank bonds closed at $10,950, up $950 with turnover put at $3.28m.

Speculative funds apparently flowed in because of strong expectation of a further rise in the stock market.

Kyodo

Tietotehdas seeks FM 10m for expansion

By Our Financial Staff

TIETOTEHDAS, the leading Finnish data processing and data systems company is issuing 47,500 free shares, available for sale to non-Finnish investors, as part of an exercise to raise fresh equity capital for expansion. The proceeds are expected to be around FM 10m ($2m).

Tietotehdas last year earned FM 7.3m on sales of FM 295m. This year it is expected by Unitas, the securities arm of Union Bank of Finland which is underwriting the share issue, to earn FM 11m on sales of FM 375m.

Mr Juhani Luukkonen, managing director, said in London yesterday that the group expected this year to consolidate further its leading position in the Finnish data processing services market and would now be looking for opportunities to grow abroad—in the first instance, within Scandinavia. Tietotehdas claims around 10 per cent on the domestic Finnish data processing market.

The offering of free shares equal to roughly 12 per cent of the group's present capital, coincides with a rights issue on the Helsinki stock market.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on March 3

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amev 10¾ 92	100	105¾	106¼	+0½	+1	8.74
Amex Credit 10⅞ 90	100	107¼	107¾	+0¼	+0¾	8.66
Atlan. Richfield 10¾ 00	250	103¾	104¼	+2½	+2¾	8.72
Australia Com. 11 95	200	114¼	114¾	+0¼	+2¾	8.67
Australia Com. 11¾ 00	100	116¼	116¾	0	+2¾	9.12
AP Capital 11⅛ 92	150	108½	108⅞	+0¼	+0¼	9.21
Campbell Soup 10½ 95	100	109¾	110¼	+0½	+0⅞	8.91
Canada 11¾ 90	500	110¾	111¼	+0¾	+0¾	8.23
Canadian Pac. 10½ 93	100	105¾	106¼	−0¼	−0¼	8.57
CEPME 10¾ 01	100	106¼	106¾	0	+0⅞	9.57
Citicorp 10 88	200	102⅞	103¼	+0¼	+0⅞	8.50
Citicorp 10 98	200	†100¾	101¼	+0¼	+0¾	9.83
Citicorp 10¾ 95	200	103¼	103¾	+0¼	+0¾	10.02
Credit Lyonnais 8 91	200	101¼	101⅞	+0¼	+0¼	[illegible]
Credit National 9¾ 93	150	102¼	102⅞	+0¼	+1½	8.61
Denmark Kgdm. 11¾ 88	100	107	107½	−0¼	+0½	8.56
Denmark Kgdm. 11¾ 90	100	109¼	109¾	0	+0¾	8.69
Denmark Kgdm. 11½ 92	100	111¾	112¼	+0¼	+1	8.86
EDF 10 95	225	106¼	106¾	+0¼	+1	8.94
EEC 8¾ 91	150	100¾	101¼	0	+1½	8.38
EEC 9¾ 90	350	103⅞	104¼	0	+0⅞	8.44
EIB 10¾ 94	200	108¼	108¾	+0¾	+1½	8.83
EIB 12 95	200	116¼	115	+0¾	+1¾	8.91
Eli Lilly 10¾ 92	150	108¼	108⅞	+0¾	+1½	8.48
Equit. Lfd. Rlty. 10¾ 97	100	105½	106	+0¾	+1¾	9.65
Export Dev. Cpn. 10 90	100	105¾	105⅞	0	+0¾	8.34
Fed. Dep. Strs. 10¾ 95	100	108¾	109¼	+0¾	+1½	8.77
Ford Motor Crd. 10½ 91	150	105½	106	+0¼	+0¾	9.14
Ford Motor Crd. 11¾ 90	100	107¾	108¼	+0¾	+0⅞	8.88
Ford Motor Crd. 12 95	100	112¾	113¼	+0¾	+1¾	9.76
Gen. El. Cred. 10¾ 00	200	104¾	104⅞	−0¼	+0¾	9.63
GMAC 10¾ 89	200	105	105½	+0¾	+0¾	8.33
GMAC 10¾ 92	250	105¼	105¾	+0¾	+0¾	9.10
IADB 9⅞ 95	200	107	107¼	+0¼	+2¾	8.73
IADB 10½ 95	150	110¼	110⅞	+0¾	+1¾	8.80
Kellogg Co. [illegible] 90	100	105¼	106¼	0	+0¼	8.98
Kellogg Co. 11¾ 92	100	108	108½	0	+0¼	9.36
Nippon Cr. Bk. 10¾ 95	150	110⅞	111¾	+0¼	+2¾	8.87
Pillsbury Co. 10¾ 93	100	105¾	105¾	+0¼	+0⅞	9.18
Proct. & G. 'A' 0⅞ 92	150	103⅞	104¼	+0¼	+1½	9.01
Pru Realty 5. 12¾ 95	546	113½	114	0	+0¾	9.72
Qantas Airways 10¾ 95	140	109¾	110¼	+0¾	+1¾	8.77
Quebec Hydro 11½ 92	100	111¾	111¾	+0¾	+1¾	9.12
Queensld. Gvt. 10¾ 95	100	107¾	108¼	+0¾	+1¾	8.96
Ralston Purina 11¾ 95	150	114¾	115¼	+0¾	+2¾	8.24
Saab Scania 9½ 01	125	102	102½	−0¾	+0⅞	9.92
Saskatchewan 10¾ 92	100	109¼	109¾	+0¾	+1	8.65
Scandinavia Air 10¾ 95	150	107¼	107¾	+0¾	+3½	9.65
State Bk. S. Au. 9¾ 93	100	101¼	101¾	+0¾	+1¾	9.92
Statoil 10 90	178	105	105½	+0¼	+0¾	8.51
S. Wales Tmy. 11¾ 90	150	110¼	110¾	0	+0¾	8.65
Swed. Exp. Cred. 10 92	100	106⅞	107¼	+0¾	+1¼	8.48
Sweden 10¾ 92	250	107⅞	108¼	+0¾	+1	8.60
Sweden Kgdm. 10⅞ 90	200	108¼	108¾	+0¾	+0¾	8.42
Sweden Kgdm. 11⅛ 89	200	109¾	110	0	+0¾	8.38
Sweden Kgdm. 11¾ 94	100	113¾	113¾	−0¼	+0¼	9.43
Tenneco Cpn. 10¾ 95	150	105½	106	+0¾	+0¾	9.79
Utd. Tech. Fin. 10¾ 95	100	107¾	108¼	+0¾	+0¾	9.31
Victorian Rep. 11¾ 92	150	112	112¼	+0¾	+1	8.95
World Bank 9¾ 2015	300	108¼	108⅞	+0¼	+4¾	8.92
World Bank 10¾ 95	300	109½	110	+0¾	+1¾	8.56

Average price changes... On day +0¾ on week +1¾

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	107½	108	+0¾	+0½	6.77
Copenhagen 7¾ 95	150	103½	104	+0¾	+0¾	6.80
Credit National 5¾ 94	200	†109¾	109¾	+0¾	+0½	6.55
Dow Chemical 6¾ 95	300	103	103½	+0¾	+0¾	6.28
EIB 6⅞ 95	300	104½	105	+0¾	+1¾	6.20
EIB 7¾ 94	300	105¼	105¾	0	+1	6.41
Emhart Con. 6¾ 95	178	101¾	102	−0¼	+2¾	6.50
ESCOM 8 92	150	99¾	99¾	−0¾	+0¾	8.16
Ex. Im. Bk. Korea 7¾ 90	100	101¾	102¼	0	−0¼	7.06
Ferrovie Dello St. 8 91	100	107½	108	+0¾	+2¾	6.17
Finland Republic 7 92	200	104¼	104¾	0	+1¾	6.06
Gould Int. Fin. 7¾ 91	100	104¼	104⅞	−0¾	−0¾	6.54
Ireland 8¾ 92	150	107	107½	+0¾	+1¾	6.65
I/S Elsam 6¾ 93	125	99	99½	+0¾	+1¾	6.87
Japan Fin. Con. 7⅛ 91	100	105½	106	−0¾	+0¾	6.31
Mitsubshi. M. 3¾ 99 WW	100	106	107½	+0½	+1¾	1.29
Mitsubshi. M. 3¾ 89 XW	100	91	91½	−0¾	−1¾	5.75
Quebec-Hydro 7¾ 95	200	104¾	105¼	+0¾	+0¾	6.40
Renfe 7¾ 95	100	105¾	106	+0¾	+0¾	6.88
Soc. C. Nuclear 7¾ 95	190	102⅞	103¼	+0¾	+0¾	6.78
Soc. C. Nuclear 0 91	100	105	105½	0	+0¾	6.78
S. African Tran. 7¾ 92	100	92¾	93¼	+0¾	+0¾	9.09
World Bank 7 95	600	104⅞	105¼	+0¾	+1¾	6.28

Average price changes... On day +0¾ on week +0⅞

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon. Cap. Cpn. 5¾ 94	130	†102	102¾	−0¾	+0½	5.06
Br. Land. Comp. 6½ 99	75	*†107	107¼	+1	+1¾	5.73
Chrysler 6¾ 98	150	†102	102¼	0	+1¾	6.47
Council of Europe 8 92	120	†104	104¾	+0⅞	−0¾	5.25
Creditanstalt 5¾ 94	100	†101½	101¾	−0½	0	5.26
Deutsche Bk. 5¾ 95	100	†104¾	105	+0¼	0	4.88
EIB 5⅞ 94	120	†102¾	102¼	−1¾	−0¾	5.43
Gen. Occidentale 4½ 94	60	†110¾	111	−0¾	+2¾	3.07
Glendale F. O&L 5⅞ 95	100	†98¾	99	0	−0¾	6.65
Ind. F. Finland 5¾ 94	40	†101	101½	−1	−1	5.58
Int. Am. Dv. Bk. 6¾ 94	120	†104½	104¾	+1	+1	6.44
N. Zealand Steel 5¾ 98	70	†100½	100¾	−0½	−0¾	6.67
Oberos. Kftwk. 5¾ 95	100	†102¾	103	+0¾	+0¾	4.97
Olivetti Intl. 5½ 95	100	†103	103½	+0¾	+0¾	6.06
Pepsico 5¾ 95	130	*†103¾	103½	−0½	−0¾	4.78
Phibro-Salomon 5¾ 97	110	†100¾	100¾	0	+0¾	5.06
Ralston Purina 5¾ 94	125	*†102¾	102½	−0¾	−0¾	0.02
Tokyo Elec. Pr. 5½ 93	120	†102¾	103	0	−0¾	6.03
Tokyo Metropolis 5¾ 94	80	†101½	102	−0¾	−1¾	5.00
World Bank 5¾ 94	150	*†104¾	105	+0½	+0¾	5.06

Average price changes... On day 0 on week +0¾

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Eurofima 6¾ 93	20	102	102½	0	+1½	6.21
Swed. Exp. Crd. 6¾ 90	10	101⅞	102¼	−0¾	+1¼	6.33
Syntex 6¾ 93	20	98⅞	99¼	−0⅞	+0¾	6.78
Walt Disney 6¾ 95	10	102¾	103½	0	+2½	6.21
Westinghouse 5¾ 96	15	99¾	99¾	−0¾	+0¾	6.82

Average price changes... On day −0¾ on week +1

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Barclays Au. 12¾ 90 A$	50	94¼	95¼	0	+0¼	14.27
Creditanstalt 12⅞ 90 A$	50	97¾	98¾	−0⅞	0	13.38
Fiat Finance 14½ 89 A$	50	98¼	99¼	—	—	10.09
Swed. Ex. Cr. 13 88 A$	40	97	98	−0¾	−0¾	14.12
Amex 10¾ 90 C$	50	102¼	102⅞	+0¼	+0¼	9.92
Canad. Pac. 10½ 90 C$	75	102½	103½	−1	−0¼	9.50
CIBC 10¾ 90 C$	75	†102	102½	0	+0¼	10.08
Genstar Fin. 11¾ 95 C$	75	105½	106	−1	−0¼	10.72
Montreal 11½ 95 C$	75	104½	104¾	−0½	+0¾	10.70
Ryl. Trustco 10¾ 90 C$	75	99¾	100¼	−1	+0¾	10.35
Sears Acc. 10¾ 92 C$	75	†102¾	103¼	0	+0¾	9.96
Coca-Cola F. 17 90 NS	75	104¾	105½	+0½	+0¾	15.21
Nordic I. Bk. 18 88 NS	50	98¾	99¾	−0¼	+0¾	18.27
Unilever Cp. 17½ 89 NS	50	†96¼	97¾	−0½	−1¾	15.47
Copnhagn. C. 8 95 Ecu	40	102¾	102⅞	+0¾	+2½	8.58
Eutelsat 8 93 Ecu	50	100½	101¼	+0¾	+0¾	8.83
Walt Disney 8¾ 94 Ecu	60	101½	102½	+0¾	+1½	8.46
Honda WW 3⅞ 90 Fl	100	105¾	105¾	0	5	2.43
Honda XW 3⅞ 90 Fl	100	91	91½	+0¾	+0½	6.40
Thyssen 7¾ 90 Fl	50	102¾	103¼	0	+0¼	6.45
Wereldhave 7½ 90 Fl	75	102⅞	102¾	0	+0¾	6.64
Wessanen 6¾ 90 Fl	50	100¾	101½	0	+0¾	6.48
Eurofima 11¾ 92 FFr	300	107	107½	—	—	9.59
Amev 11 93 £	50	99¼	99¾	−0⅞	+0⅞	11.11
Australia Com. 11 92 £	40	101½	102	−0¾	+1¾	10.59
EIB 11¾ 93 £	50	102⅞	102	−0¾	+0¾	10.54
GMAC UK F. 10¾ 90 £	30	99⅞	100¼	−0½	+0¾	10.42
Imp. Ck. Ind. 11¾ 95 £	75	101¾	101¾	+0¾	+1¾	10.99
Imo. Ch. Ind. 10¾ 92 £	75	98⅞	99¾	−0¾	+1¾	10.91
McDonalds 10⅞ 90 £	40	100¾	100¾	−0¾	+0¾	10.71
Mitsbshi. F. HK 11 90 £	50	99¾	100¾	−0¾	+0⅞	11.01
NSW Tresy. 10¾ 92 £	50	98	98½	−0¾	+1	10.97
Rank Xerox 11 92 £	40	99½	100	−0¾	+1¾	11.04
Royal Ind. 10¾ 92 £	60	97½	98	−0½	+0¾	11.23
J. Sainsbury 10⅞ 93 £	60	98½	99½	−0¾	+1¾	11.06
Tricentrol XW 11 92 £	36	84¼	85¼	−0¾	+1½	14.86
Tathse. Forte 11¾ 90 £	50	99¾	100¼	−0¼	+1	11.16
World Bank 11¾ 95 £	100	104	104½	−0¼	+1¾	10.49
COE 8⅞ 95 LFr	600	†99¾	100¾	0	+1	9.82
N. Lux. Al. 10½ 92 LFr	600	103½	104¾	+0¾	+0¾	9.60

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Abbey Natnl. 5 2000 £	0⅛	99.32	99.37	15/4	11⅛
Anglia Bldg. S. 5 98 £	0⅛	99.71	99.78	14/4	11⅛
Bankers Trust 5 2000	0⅛	99.89	99.99	11/3	8.31
Belgium, Kngdm. of 91	0	99.95	100.05	18/8	8.06
BNP 5¼ 95	0.05	101.09	101.18	10/7	8.05
Britannia 5 93 £	0¼	99.70	99.75	6/4	11½
CCF 5¼ 97	0	99.32	99.42	5/4	8.06
Citicorp 5 2005	0⅛	98.89	98.99	27/3	8.04
Citicorp 5 2035	0.225	98.25	98.35	27/3	8.04
Credit Lyonnais 5 2000	0⅛	100.15	100.25	10/7	8.06
EEC 5 90	0⅛	95.81	99.88	8/7	8.06
ENEL 5 2000	0¼	99.95	100.05	1/3	8¾
Ireland 5¼ 97	0⅛	99.99	100.09	28/2	8.44
Lloyds Bank Perp.	0¼	100.20	100.30	9/6	8¼
Midland Bk. Perp. 5	0⅛	100.04	100.14	19/6	8½
NatWest Perp. A	50¼	100.11	100.21	8/7	8.31
NatWest Perp. B	50⅛	100.08	100.18	0/8	8⅛
New Zealand 5 2001	0	99.70	99.80	4/8	8⅛
Prudential Cpn. 4 95 £	0.1	99.57	99.67	5/3	11.78
R. Bk. Scotland 5 Perp.	0¼	100.01	100.11	11/0	8.44
R. Bk. Scot. 5¼ 2005 £	0⅛	99.21	99.31	6/5	13¼
Societe Generale 5¼ 97	0⅛	100.00	100.10	18/3	8⅛
United Kingdom 5 92	0	99.96	100.06	7/7	8.06
Woodside Fin. 5¼ 97	0	99.39	99.49	28/7	8.19
Woolwich 5 95 £	0½	99.59	99.64	18/5	11.69

Average price changes... On day +0.00 on wk. −0.03

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1063	173¼	174¾	−2½	4.64
Comcast 7 2000	12/85	23.87	†118½	119½	−1	13.65
Fanuc 3¾ 99	1/84	7032	201½	203½	+1¾	64.04
Fuji Hvy. Inds. 3 2000	0/85	678	96¾	97¾	+0½	1.20
Fujitsu 3 99	6/84	1320	103	104	+0¾	12.29
Kumagai Gumi 3½ 2000	3/85	600	217½	219½	−2¾	0.85
Marui 3½ 88	7/84	1162	205¾	207	−1¾	−1.21
Minolta Camera 2¾ 94	2/86	105	137½	[illegible]	+0¾	32.35
Mitsubishi Bank 2⅞ 00	8/85	1768	110¾	111⅞	+2½	−1.78
Mitsubishi Elec. 2⅞ 00	3/85	422	111	112¾	+0⅞	0.03
Murata 3½ 2000	7/84	2396	132¼	133¾	+1¾	21.37
Nippon Elec. 2⅞ 2000	1/86	1295	124⅞	126	+0¾	38.10
Nippon Oil Co. 3 2000	6/85	923	137¾	138¾	−0½	1.37
OKI Elec. Ind. 3¾ 99	10/84	806	110½	111¾	+1¾	0.01
Sanwa Bank 2¾ 2000	10/85	1486	119¾	120¾	+0¾	−0.32
Sekisui House 3 99	6/84	612	180¾	182¾	+2¾	1.07
Sumitomo Bk. 2¾ 2000	8/85	2142	109¾	110⅞	+2¾	1.06
Sumitomo Cpn. 2⅞ 99	6/84	593	172½	174¾	+1¾	0.97
Taiyo Yuden 3¼ 2000	3/85	1078	†124	126	−1	−0.42
Takeda Rkn. 3¼ 2000	10/84	7663	†100	102	0	11.11
Tokyo S'yo El. 3½ 99	12/84	772	106	107	+0¾	9.90
Toshiba Crmcs. 3 2000	4/85	1734	105¾	106¾	0	−1.47
Nippon Oil 2¾ 92 SFr	3/84	1062	†103¾	104	−0¾	11.25
Nip. Shinpan 2 92 SFr	3/84	801	†158	159¾	+8	18.91
Asics 5 92 DM	12/83	520	109¾	111½	−0¾	12.06
Renown 3¾ 90 DM	3/85	675	116	118	0	−2.27

* No information available—previous day's price.

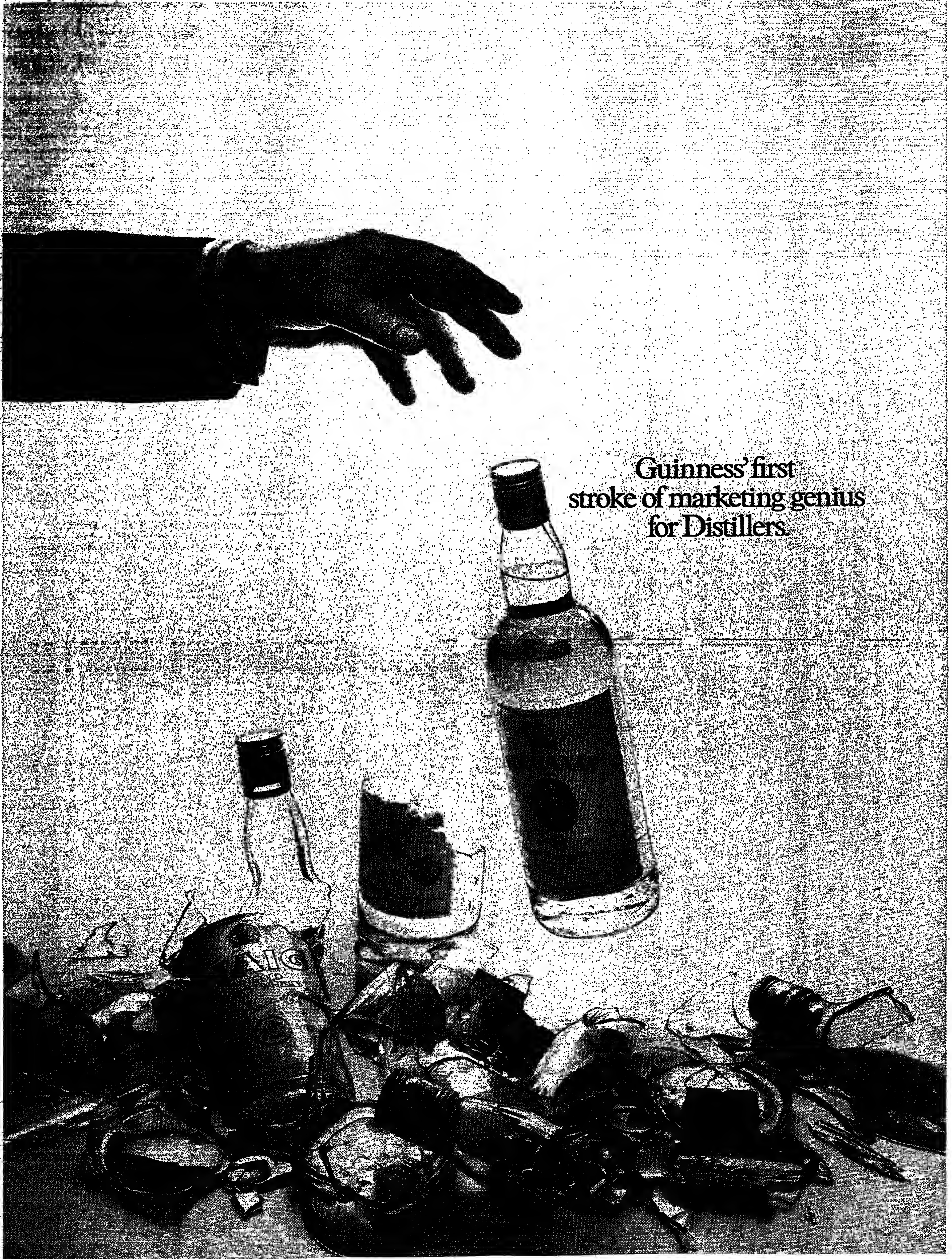
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Akroyd and Smithers; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC Amro Bank; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; LTCB International; Merrill Lynch; Morgan Stanley International; Nikko Securities Co. (Europe); Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International; Wood Gundy.



The only specific thing that Guinness have promised to do with Distillers is to get rid of at least four of their brands at home and halve their UK whisky market volume share.

Argyll. We can revive Distillers' spirits.

UK COMPANY NEWS

Raymond Hughes reports on the Distillers case in the High Court

Argyll sought free run—Guinness

The Argyll Group was accused in the High Court yesterday of trying to prevent the shareholders of Distillers, the drinks group, baving the cbance to choose between the two rival bids for the company from Argyll and Gulness.

Argyll had put itself forward as bringing court proceedings to hlock the Guinness bid in its capscity as a Distillers shareholder, said Mr Petetr Scott, QC, for Guinness.

In fact, what Argyll was trying to do was to give its hid a free run without opposition from Guinness, said counsel.

The accusation was made when Argyll asked the court to quash the decision of the Monopolies and Mergers Commission on February 19 to lay aside its decision to refer the original Guinness hid.

The decision, made with the consent of the Trade and Industry Secretary, was made on the ground that Guinness had abandoned its proposals to merge with Distillers.

The next day Guinness announced a new offer.

Argyll wants the court to quash the Commission's decision and tbe Secretary of State's consent to it, and to declare that the reference, wbicb had the effect under the City take-over code that the Guinness bid automatically lapsed, is valid and subsisting.

Mr Allan Heyman, QC, for Argyll, told Mr Justice Macpherson that there were two issues in the case:

Did the Commission chairman, Sir Godfray Le Quesne, have power under section 75 of the 1973 Fair Trading Act to decide that the Guinoess hid had been abandoned? Did the chairman exceed his powers?

Secondly, had Sir Godfray been correct in concludiog that the hid had ben abandoned?

Pointing out that the Act referred throughout to "the Commission," Mr Heyman sald that elther the Commission, or a group of not less than five of its members, had to conduct an investigation.

In this case Sir Godfray had acted on his own, though the Act did not give him the power to do so, Mr Heyman said.

Mr Heyman read evidence in which Mr Ian Mcintosh, of Argyll's merchant bank Samuel Montague, said that the Commission had not adequately investigated whether the proposals in Guinness's original hid had been adbandoned.

Sir Godfrey, in written evidence shown to the judge, stated that between February 17 and 19 be had four meetings with Guinness. At the first he had been uncertain wbether there had been an ahandonment. By the end of the third, having considered Guinness's explanations of its new proposals, he had been satisfied that the proposals in the original hid had been ebandoned.

Sir Godfray stated that wben a reference was made the first stage of tha Investigation was in tbe chairman's hands alone. Merger proposala were more often ahandoned immediately after a refarence to the Commission than at any other stage.

If lt were decided that the chairman could taka no action without selecting a group or without a full meeting of the Commission, inconvenience in the operation of the Act would result.

Mr Simon Duffy, Guinness's director of corporate finance, stated in written evidence that, even if the original Guinness hid had been ultimately cleared by the Commission it would bave been too late because Distillers would hy then probahly have been acquired by Argyll.

The effect of the reference would therefore have been to deprive Distillers' shareholders of a cboice between the rival bids, and tha country would have been deprived of s merger which was strongly in the public interest.

Guinness had therefore written to Sir Godfray Le Quesne saying that it had decided "lt must abandon its present proposals."

Mr Duffy added that had Guinness not firmly believed that the original reference had heen laid aside, it would never have entered into a new egreement under which lt had to pay a minimnm of £14.56m in commission.

Investment costs hit Michael Peters

Michael Peters Group, the USM-quoted marketing services consultancy, suffered a downturn in pre-tax profits from £338,000 to £207,000 for the six months to December 31, 1985. Tha result was affected by three factors, the most significant of which was the recent investments in new husiness areas.

The company was also affected by the seasonality of the exhibition industry and the higher level of fixed accommodation and support costs following the move to new premises last year.

New investments during the period were the formation of Michael Peters Financial Communications and Diagnostic Market Research and the setting up of a corporata identity division within Michael Peters and Partners.

The company's new businesses are developing well and its traditional businesses are continuing to grow at a satisfactory rate.

First-half turnover increased from £2.25m to £3.67m. After tax of £83,000 (£131,000) stated earnings per 25p share dropped from 3.6p to 2.01p. There was also an £11,000 (same) charge for amortisation of goodwill.

The net interim dividend is unchanged at 1p

● comment

Michael Peters' collapse in pre-tax margins to 5.6 per cent from a comparahle 15 can be viewed in two ways. The charitable iovestor may sccept that the cost of rapidly building a foundetion for the future has impinged on the immediate performance and is nothing to worry about. The more hard nosed may accept that hut also argue that Michael Peters is entering a 100 metre dash baving only recently learned to walk. The acquisition of Cockade in October 1984 added a new facet to the company with exhibition work running on a two year cycle. The last six months was the fallow period — it lost around £100,000. Starting three new business divisions has also knocked some £100,000 off the half year profit while moving to new premises — part and parcel nf the expansion — pushed the cost base further out of kilter. The explanation is fair eoough but it is surprising that Mr Peters did not use October's statement to warn of the impending setback. The phrase "a year of consolidation" would not have come amiss. Profits this year might now be no more than £750,000 for a p/e of 23 at 173p, down 19p. That is too high for a company with retreating profits and the upturn in 1986-87 is too distant to revive tha sbares yet.

Saatchi brothers to take minority stakes in NMC

BY CHARLES BATCHELOR

CHARLES and Maurice Saatchi, heads of the fast-growing edvertising agency, are to take minority share stakes in NMC Investmants, the investment and fibre board manufacturing group wbich last week requested the temporary suspension of its stock market listing.

News of the Saatchi brothers' plans came on the same day that WPP Group, the small manufacturing company in which Saatchi and Saatchi Company has a 10 per cent holding, unveiled its second acquisition within three months.

NMG is to double its share capital by the issue of 8.6m new shares to the Saatchis and Mr Norman Gordon, an insurance broker and founder of Milldon & Company.

Mr Gordon, 44, will become an executive director of NMC and own 20 per cent of its shares. The Saatchis will hold 15 per cent each, as a "long-term investment" hut will not become directors.

NMC will invest some of the £1.32m net which will be raised by the shara issue in usted and unlisted stocks, but "new opportunities will be taken to invest in young and growing companies both in the UK and abroad."

Further funds will also be put into Propp Corrugated Cases, the manufacturing arm of NMC, if appropriate.

NMC's unaudited figures for the six months ended September 1985 indicated earnings per share of 0.74p compared to 0.55p in the corresponding period. The company has continued to trade profitably and an interim dividend in lieu of a final of 1p will be paid.

WPP plans to acquire P & L International Vacationers, a conultancy which organises conferences, incentive travel, special interest groups, motivation packages and corporate seminars.

It will pay £380,000 in shares on completion. A further payment, slso in shares, of about £280,000, will be made after P & L publishes accounts for the yeer ending March 31, conditionel on pre-tax profits of £150,000.

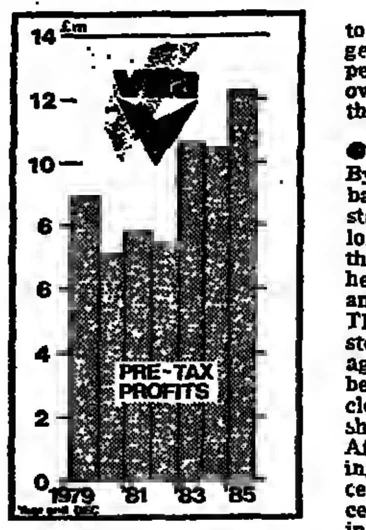
Mr Martin Sorrell, Saatchi's finance director, and Mr Preston Rebl, a stockbroker, took 27 per cent of WPP last May. Saatchi took a further 10 per cent in December.

NMC's shares, suspended at 26½p last Wednesday, were relisted at 70p and rose to 80p.

Revamped Vita rises to £12m

British Vita, the Manchester-based foam products company, yesterday reported results for the 1985 year which saw the writing-off of its husiness in Zambia.

Profits before tax came to £12.23m, against £10.45m. The latter figure has been restated to reflect the absence of the two Zambian subsidiaries from the profit and loss account. These will be shown in the balance aheet as investments amounting to £649,000—in effect a write-down of £3.83m from the 1984 book value, and this amount has been dealt with through reserves.



Also in the course of the year, the company realised, for a sum of £287,000, assels in Zambia valued at £2.11m. The loss of £1.82m is included in an extraordinary debit of £3.37m, with the balance accounted for by rationalisetion in the UK consumer and textile operations.

The company's sbares climbed 13p to 242p on the results, which are a record. Some 75 per cent of the profit came from UK and European operations, reflecting the move awey from Africa. The chairman, Mr F. A. Parker, says that the current year has so far seen continuing good demand for its products io Europe and the UK, and he adds that the international divisions will contribute to the group's growth, subject to exchange rate movements.

The final dividend is lifted from 3.2p to 3.7p for a total of 7p against 6.2p. Earnings per sbare are 23.5p compared with a restated 22p. Dividends will account for £2.12m (£1.87m) leaving retained profits at £1.6m (£3.82m).

Group turnover rose from £133.95m to £186.11m.

Reviewing the year's trading, the chairman says that an excellent all round performance was achieved by the European companies. The results include a full yaar from tha French operations and those of the foam interests of the Snlvay Group from last July, the date of their acquisition. Good improvements by most of the UK husinesses contributed to the overall UK result which also includes the corporate centre costs of the enlarged group.

He continues: "I am pleased to report that the balance sheet gearing at the year end was 42 per cent against a forecast of over 50 per cent made following the acquisitions last July.

● comment

By wiping Zambia off the balance sheet at the interim stage, British Vita succeeded at long last in convincing the City that it bas hauled itself out of heavy industry, out of Africa, and into high-tech and Europe. The share price has risen steadily ever since and rose again when the final results beat the City's expectations to close 13p higher at 242p. The share may have further to go. Africa's contrihution to earnings has dwindled from 70 per cent five years ago tn just 10 per cent today. Tha Europeen interests—most of which bave heen acquired within the last 18 months—now contrihute 40 per cent and in 1986 with currency translating in British Vita's favour and a whole year of Solvay earnings, Enrope sbould outperform the UK. By reducing gearing from 50 per cent to 42 per cent since the interims, British Vita bas proved that lt can engage in active acquisition without dragging itself into debt. Profit projections for 1986 have now been npgraded to £13.75m, producing a p/e of 8. The company perceives 1986 as a year of consolidation and cash generation, but once gearing is down to the low 30s it sbould hit the acquisition trail again.

Hillsdown lifts stake in Berisford

By Andrew Gowers

Hillsdown Holdings, the acquisitive food and office equipment concern, disclosed yesterday that it has raised its stake in S. & W. Berisford, the commodity trading and sugar refining group, to 9 per cent against just under 6 per cent last week.

City analysts said the news hrought closer the possibility of two separate hids being mounted for Berisford in the near future.

Berisford is already in talks with the large Italian food and agrihusiness group Ferruzzi over a possihle bid, in which the Ravenna-based company would eventually acquire Berisford's British Sugar subsidiary for £400m and sell the rest of the husiness to senior Berisford management.

Mr Harry Solomon, Hillsdown's joint chairman, yesterday declined to comment on speculation over a possihle bid for Berisford hy the company. But be said Hillsdown management had been talking to Mr Ephraim Margulies, Berisford's chairman.

Analysts believe that Britisb sugar is also the focus of Hillsdown's interest.

Berisford's share price, whicb climbed sharply last week as news of the Ferruzzi approacb leaked out, closed up 5p at 207p.

Bridon sells Mexican offshoot

BY LIONEL BARBER

Bridon, the wire and rope maker, has sold its 49 per cent stake in Grupo Industrial Camesa (GICSA), a Mexican subsidiary, for £8.2m cash.

Bridon said that Mexican interest rates running at 85 per cent per annum, coupled with a withholding tax of 55 per cent on dividend payments, had made it difficult to ohtain a satisfactory dividend flow.

In the year ended December 1984, Bridon's share of GICSA's pre-tax profits and earnings was £4.6m and £2.5m respectively, based on average exchange rates for the year. The net book value of the investment at the end of 1984 was £3.9m.

Similar figures are expected for the year ended December 1985, hut further devaluation of the peso is likely to more than offset the future growth of peso profits in sterling terms, Bridon said.

The purchaser of Bridon's stake in GICSA is Mr Isaac Saba, a Mexican industrialist, who bought most of the 51 per cent of the equity represented hy "A" shares (which must be beld by Mexican citizens) near the end nf last year.

A technical service agreement between Bridon and GICSA will be extended, said Bridon. The profits from the sale will be used to develop the south Yorkshire-based hnsiness which last September declared a 10 per cent rise in interim pre-tax profits to £7.7m. Bridon shares closed at 132p, np 8p.

IBC in £6m expansion

BY CHARLES BATCHELOR

International Business Communications (Holdings), the conference and puhlishing group, which was created last November by a merger, is to make its first acquisitinn.

IBC, which was formed by tha merger of RTD, a listed Irish engineering group, and Oyez International Business Communications, a private company, is to pay about £7m in shares and casb for Stonehart Publications.

Stonehart publishes newsletters, Running magazine and organises business conferences. It has budgetted for pre-tax profits of £520,000 in the six mnnths ending April 30 1986 and £800,000 for the year ending September.

It made an unaudited profit from continuing activities nf £368,000 in the year to end-October 1985. Net assets were £253,000.

IBC will pay £2.5m in cash on completion in lata April. It will also issua to Stonehart about 3.6m shares — worth £3.24m at IBC's closing price of 90p yesterday—depending on wbether the six-month profit target is met and on net assets at April 30.

RAMAR TEXTILES has lifted turnover from £10.45m to £12.97m and taxable profits to £488,000 fnr the six months ended November 30 1985, compared with £388,000. Earnings 2.47p (3.07p) per share basic and 1.93p (2.33p) fully diluted.

Carless sells interest in Premier Consd.

By Dominic Lawson

Carless Capel & Leonard, the UK oil company, has sold its 10 per cent stake in Premier Consolidated Oilfields, in tha first stap in what will be a series of manoeuvres to reduce its high level of debts.

Carless acquired the shares for about £15m as part of an abortive £100m bid for Premier in 1984. But Carless has received only £6.6m for the same shares, which were sold to a variety of institutional investors.

Yesterday Premier's share price fell 2½p to 29½p, as the market showed its disappointment that the stake had not been passed on to a potential alternative bidder for Premier. Mr Roland Shaw, chairman of Premler said yesterday he was satisfied that tbe shares had gone into "friendly hands."

Mr Ian Clubh, who became chief executive of Carless last November said yesterday that the nbjective nf the sale was to reduce Carless' dehts, which stood at about £70m, giving a debt equity ratio of about 100 per cent.

Mr Clubh added: "With hindsight we should have sold the shares the day the bid for Premier failed. But I wasn't around at the time."

The plan is to halve the deht level hy the end of the 1986 calendar year.

See Men and Matters

Haslemere defence

Haslemere Estates yesterday launched its formal defence against the £240m bid from Rodamco, the Netherlands-based investment trust.

The defence centres on a property revaluation throwing up a fully diluted net asset value of "at least" 728p a share, rising by a further 20p on the completion and letting of development properties.

The document, however, got an unfriendly reception from Rodamco's merchant bank, Kleinwort Benson, which suggested that investors would treet the valuation with "considerable caution."

Coloroll and Staffordshire merger off

By David Goodhart

The widely-expected agreed merger between Coloroll and Staffordshire Potteries has heen called off. Following e final round of talks on Sunday between Mr Bill Bowers, chairman of Staffordshire and Mr John Ashcroft, chairman of Coloroll, an imminent announcement on the terms of Coloroll's bid for Staffordshire had heen widely expected.

Mr Bowers said yesterday that the terms bad iodeed been hammered out on Sunday; "however during further discussions today it became apparent that the two management styles were likely to he incompatible and conflicts of interest were also likely hetween certain key customers."

Mr Bowers added that the terms—tbought to bave valuel Staffordshire at ahout £11m—"were never generous" and that some members of the board had always apposed tha deal. Coloroll, the designer and manufacturer of wallcoverings end soft furnishings, retains a 9 per cent stake and may now launch a hostile hid.

Both companies' share prices were suspended yesterday on expectation of the deel being unveiled; Coloroll et 187p and Staffs Potteries at 122p.

McAlpine purchase

Alfred McAlpine, the construction and aggregutes group, has bought Becker Sand and Gravel Company, a privately-owned Carolina group, for $12.35m (£8.5m) in cash. Becker's continuing operations made $700,000 pre-tax on turnover of $16m in the year ended November 1985.

Hanson/Imps

Hanson Trust, which is hidding £2.3bn for Imperial Group, has doubled its bolding in Imperial to 46.27m shares, or 6.12 per cent of the equity. A Hanson associate bought 23m shares on Friday et between 313.5p and 320.5p per share.

Carlton meeting

Carlton Communications will hold its company meeting at 11.00 at the Armourers Hall, 81, Coleman Street, London, not at 11.30 as stated in Monday's peper.

LADBROKE INDEX
1,262-1,266 (−13)
Based on FT Index
Tel: 01-427 4411

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
AMS	0.83	—	—	0.83	—
Bralme (Holdings)	2	April 30	1.5	3.5	3
British Vita	3.7	May 9	3.2	7	6.2
Industrial Finance† int	1	—	1	—	3.5
Michael Peters‡ int	1	—	1	—	2.6
Microvitec‡	0.75	—	0.75	1.25	0.75
Powerline‡ int	1	—	0.8	1.8	1.4

Dividends shown in pence per share except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

UK COMPANY NEWS

Rank in court move over IBA decision

By Raymond Snoddy

THE Rank Organisation yesterday began the process of taking the Independent Broadcasting Authority (IBA) to court over its decision to block the company's contested £753m bid for the Granada Group.

Rank gave the IBA until 10am yesterday to reconsider its decision that a Rank takeover of Granada, and with it Granada television, would be "unacceptable" because it would involve a change of ownership of a viable ITV franchise.

No message arrived from the IBA and Rank's legal advisers were instructed to seek permission for a judicial review of the IBA's fulfilment of its duties under the 1981 Broadcasting Act.

It is thought unlikely that a hearing in the Queen's Bench Division of the High Court could be held much before next week.

Mr Michael Gifford, chief executive of Rank, said he regarded the need for litigation as a matter for regret but the IBA had refused to explain its decision or have any discussions about it.

Rank, it is believed, had been strongly advised by its lawyers that the IBA had not acted in accordance with its duties.

The IBA refused to comment last night.

Rank has made it clear it is seeking judicial review to "secure for Granada's shareholders the unfettered opportunity of making a proper evaluation of Rank's offer."

SE probes deals in Home Charm shares

By Lionel Barber

The stock exchange has launched an inquiry into share dealings in Home Charm, the UK's second largest DIY retailer, which announced on Friday that it was holding talks with a potential bidder.

Home Charm shares leapt 104p to 390p on Friday valuing the group at £170m. The shares had already moved sharply upwards before Mr Manny Fogel, Home Charm's chairman, made his announcement.

Yesterday, however, Mr Fogel said that talks with the mystery bidder had ended, following discussions over the weekend. Home Charm shares dropped 105p to 285p, before recovering to close at 318p.

Mr Fogel, who declined to identify the name of the interested bidder, said yesterday: "We assume there was a leak (on Friday). I wish I knew where it came from."

Home Charm trades principally under the Texas Homecare name. The company made pre-tax profits of £10.8m in 1984, though it it thought to have had a flat year in 1985. Mr Fogel and family trusts own just over 18 per cent of the group.

BBA has 83% of Automotive Products

BBA, the West Yorkshire-based conveyor belting and friction materials group, has won acceptances worth 54.1 per cent from shareholders in Automotive Products for its agreed £108m bid

However, BBA is still waiting for the Office of Fair Trading's verdict on whether the agreed bid will be referred

Gold Greenlees to join market with £14.3m valuation

THE ADVERTISING agency, Gold Greenlees Trott, is joining the stock market this week through an offer for sale of 34.6 per cent of its issue capital.

The flotation, through stockbrokers, James Capel, will release 3m shares at 165p per share. This would capitalise the company at £14.3m. Some 360,000 new shares will be issued which will produce £539,000 for the company after the cost of the issue.

Gold Greenlees Trott was formed in 1980 and has since built up a client list which includes Cadbury Schweppes, the Central Office of Information, the London Docklands Development Corporation, Mazda Cars, Watney Mann and Truman and Toshiba, for which it has produced its best known campaign "Hello Tosh . . . gotta Toshiba?"

The agency's reputation is grounded in its idiosyncratic creative work, which joint chairman, Michael Greenlees, described as: "Innovative, controversial, but also very visible advertising."

In the year to April 30 1985 it produced turnover of £18.65m, an increase of 70 per cent on 1984, and pre-tax profits of £630,000, a rise of more than 80 per cent. For the year to April 30 1986 it anticipates turnover of £29.5m and profits of £1.3m, producing a p/e of 18.

Gold Greenlees Trott is already engaged in an active new business programme. In 1985 it won 56 per cent of the new accounts pitched for and emerged as the fastest growing agency, acording to the MEAL research consultancy.

Part of the proceeds of the issue will be used to finance a move into new premises. The agency is already actively looking for acquisitions, both within the advertising industry and in parallel fields such as public relations and design, and in the longer term to international expansion.

The prospectus for the issue will be released today and the aplication list opens on Friday.

● comment

Thus far Gold Greenlees Trott has struck a happy balance between creating innovative and original advertising, and securing an enviably blue chip client list. Its new business record is excellent and established clients seem happy to toss new accounts in its direction, but growth through acquisition could prove problematic. Gold Greenlees Trott does not harbour Saatchiesque delusions of world domination, but it does accept that the City favours agencies which diversify outside advertising. Gold Greenlees Trott is such an idiosyncratic agency that finding compatible design houses and public relations consultancies may be difficult. The City has a love/hate relationship with the advertising industry and new issues tend to sink or swim according to the market5s whim of the moment. But the last two agencies to float, Abbott Mead Vickers and Davidson Pearce, sailed one the stock market at a premium. And Gold Greenlees Trott is an intrinsically more interesting agency.

Highams board plan fails

BY LIONEL BARBER

Highams, the privately-owned property company, has failed in its bid to place two of its directors on the board of Manchester Ship Canal.

After a poll at last Friday's AGM, the Ship Canal board succeeded in filling three vacancies with its own nominees, Mr Charles Boyle (42,891 votes), Mr Ron Weston (42,893) and Mr Bernard Lee (42,902).

Mr John Whittaker and Mr Martin Hill, chairman and managing director of Highams respectively, gained just over 38,700 votes apiece. Highams holds 48 per cent of the Ship Canal's equity but, because of the company's preference share structure, controls only 29 per cent of the voting shares.

Powerline second half fall

SECOND HALF profits of Powerline International, electronic equipment, advertising and public relations concern, lower at £727,000 against £862,000, were down on the directors' earlier expectations with more difficult trading conditions developing in many sections of the business.

The full year's result, ended December 31 1985, came out just ahead at £1.58m, compared with £1.52m, but was after higher interest received of £282,000 (£131,000), increased income from share of associates, £43,000 (£15,000) and lower interest payable of £8,000 (£12,000).

After tax of £676,000 (£714,000) earnings per 5p share are given as 7.45p, against 6.84p, while the dividend is stepped up to 1.8p (1.4p) with a final payment of 1p. Turnover rose from £6.11m to £7.8m.

The directors say that difficult trading was felt more strongly in the media business where the company's clients reduced their overall spending on promotion during the latter part of the year.

Group shares are traded on the USM.

Munton back in black

Munton Brothers, clothing manufacturer, returned to the black in the six months to December 31, 1985. With all loss-making activities terminated and production facilities now based in Northern Ireland, the company made a pre-tax profit of £36,000, against a £522,000 loss for the last eight months of 1984.

As a result of the decision taken in late 1984 to rationalise the Lillygould operation, group turnover of this Marks and Spencer supplier declined to £6.71m (£10.28m for eight months)—a 13 per cent fall on a strictly comparable basis.

Recruitment of additional management continues. A managing director of the ladieswear division joined the group last month and a finance director is being sought.

Full benefits of the rationalisation and the management changes have yet to be reflected in the financial results.

First-half earnings per 10p share were 0.22p (3.161p loss). There was again no tax. Extraordinary items added £32,000 (took £1.38m) and comprised the realisation of revaluation reserves on property disposals.

GrandMet sells stake in German brewer

By Charles Batchelor

Grand Metropolitan, the brewing, hotels and leisure group, has sold its 78.3 per cent stake in Stern Brauerei Carl Funke a West German brewer and soft drinks group, for about £14m.

The sale, to private investors, forms part of GrandMet's plan of disposing of peripheral interests to concentrate on a core of UK brewing, foods, wines and spirits, hotels and restaurants, as well as its US operations. Stern, with annual sales of £50m and 700 employees in North Rhine Westphalia, was acquired as part of GrandMet's purchase of Watneys in the early 1970s.

GrandMet distributes Holsten beers in the UK and had no need for any trading links with Stern. There is no equity stake in Holsten.

Stern experienced difficult trading conditions in the year to end-September 1985 in stagnant and competitive markets and profits fell.

Brooke Tool

Brooke Tool Engineering (Holdings) the Sheffield-based maker of cutting and mining tools, has had a good start to the present year. At the annual meeting, Mr Faoe Vernon, chairman, said that in the first four months there had been a substantial increase in sales and operating profit was up by 35 per cent on the previous year.

He added that gearing was reduced and orders remained at a high level.

Shareholders heard that further growth was expected from organic development plans and the acquisition of companies with complementary products.

This Advertisement includes information given in compliance with the Regulations of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland ("The Stock Exchange") for the purpose of giving information to the public with regard to the Inter-American Development Bank (the "Bank") and the Stock. Full particulars on the Bank are available in the Extel Statistical Services System.

The Bank has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. The Bank accepts responsibility accordingly.

INTER-AMERICAN DEVELOPMENT BANK

Issue on a Yield Basis of £75,000,000 9¾ per cent. Loan Stock 2015 to be a further issue of the 9¾ per cent. Loan Stock 2015

payable as to £30 per cent. of the nominal amount on application and as to the balance of the issue price by May 8, 1986, with interest payable half yearly on November 15 and May 15, with the first such payment on November 15, 1986

Baring Brothers & Co., Limited

County Bank Limited — **Hambros Bank Limited** — **Hill Samuel & Co. Limited** — **Kleinwort, Benson Limited**

Lloyds Merchant Bank Limited — **Samuel Montagu & Co. Limited** — **Morgan Grenfell & Co. Limited** — **J. Henry Schroder Wagg & Co. Limited**

S. G. Warburg & Co. Ltd.

Application has been made to the Council of The Stock Exchange for the £75,000,000 9¾ per cent. Loan Stock 2015 now being issued (the "Stock") to be admitted to the Official List and for dealings to take place in the Gilt-edged market. The Stock will initially only be available in registered form. Renounceable allotment letters (partly paid) in respect of the Stock will be despatched on Wednesday, March 12, 1986 subject to clearance of applicants' remittances and allotments. Stock Certificates will be despatched on May 29, 1986 provided the balance of the moneys payable has been duly paid.

No person is authorised to give any information or to make any representation not contained herein or in the Extel Card dated January 2, 1986 giving information relating to the Bank (or any abridgement hereof or thereof authorised by the Bank) and any *information or representation not contained herein or therein must not be relied upon as having been authorised by the Bank or by any of the Managers named above.* This document does not constitute an offer to sell or solicitation of an offer to buy the Stock in any jurisdiction in which, or to any person to whom, it is unlawful to make such an offer or solicitation.

The Stock is not open for applications to subscribe by U.S. persons. "U.S. person" means any person who is a national, citizen or resident of, or who is nomally resident in, the United States, including the estate of any such person, corporations and partnerships created or organised in the United States and "United States" means the United States of America, its territories and possessions and all areas subject to its jurisdiction.

The application list will open at 10.00 a.m. on Thursday, March 6, 1986 and will close later the same day.

INFORMATION RELATING TO THE ISSUE

Determination of Issue Yield, Issue Price and Interest Rate

The Stock will be a further issue of the Bank's 9¾ per cent. Loan Stock 2015 (the "Existing Stock") and will be issued at such price (being not less than £85.50 per cent.) as will result in the Stock having an Issue Yield determined on the basis described below. However, if to produce this Issue Yield on the basis of a 9¾ per cent. interest rate, the issue price of the Stock would need to be less than £85.50 per cent., then the issue price of the Stock will be £85.50 per cent. and the interest rate thereon for the period from March 12, 1986 to November 15, 1986 (being the date of the first payment of interest on the Stock) will be such higher rate as will result in the Stock having the Issue Yield and from November 15, 1986 the interest rate will be 9¾ per cent. per annum. The issue price and (in the circumstances mentioned in the last preceding sentence) the interest rate for the period to November 15, 1986 will be expressed as a percentage rounded to three decimal places (with 0.0005 being rounded upwards).

The Issue Yield shall mean the sum of 0.35 per cent. and the Gross Redemption Yield, rounded to three places of decimals (with 0.0005 being rounded upwards), on 13½ per cent. Treasury Stock 2004-2008 (the "Reference Stock") calculated by reference to the price of the Reference Stock on the The Stock Exchange, London, at 3.00 p.m. on Wednesday, March 5, 1986, such price to be determined by Baring Brothers & Co., Limited ("Barings") as being the arithmetic mean of the bid and offered prices quoted on a dealing basis for settlement on the following business day by three jobbers in the Gilt-edged market. The Gross Redemption Yield on the Reference Stock will be expressed as a percentage and will be calculated on the basis set out in the *Journal of the Institute of Actuaries*, Vol. 105, Part 1, 1978, page 18.

It is intended that notice of the Issue Yield, issue price and the amount of the first interest payment (and, if applicable, the interest rate in respect thereof) relating to the Stock will be published in the *Financial Times* on *Thursday, March 6, 1986.*

Underwriting Arrangements

By an Underwriting Agreement dated March 3, 1986, Baring Brothers & Co., Limited, 8 Bishopsgate, London EC2N 4AE, County Bank Limited, 11 Old Broad Street, London EC2N 1BB, Hambros Bank Limited, 41 Bishopsgate, London EC2P 2AA, Hill Samuel & Co. Limited, 100 Wood Street, London EC2P 2AJ, Kleinwort, Benson Limited, 20 Fenchurch Street, London EC3P 3DB, Lloyds Merchant Bank Limited, 40-66 Queen Victoria Street, London EC4P 4EL, Samuel Montagu & Co. Limited, 114 Old Broad Street, London EC2P 2HY, Morgan Grenfell & Co. Limited, 23 Great Winchester Street, London EC2P 2AX, J. Henry Schroder Wagg & Co. Limited, 120 Cheapside, London EC2V 6DS and S. G. Warburg & Co. Ltd., 33 King William Street, London EC4R 9AS (the "Managers") have agreed with the Bank, to the extent that the Stock is not otherwise taken up, to subscribe for the Stock.

Barings, on behalf of the Managers, and the Bank may agree in certain circumstances to terminate the Underwriting Agreement, which is subject to certain conditions and accordingly, if they so agree or the Underwriting Agreement does not become unconditional, applications for the Stock will become void or, as the case may be, no applications for Stock will be accepted.

Terms of Payment in Respect of Applications

Each application, unless made by a recognised bank or stockbroker taking advantage of the alternative method of payment described below, must be accompanied by a cheque payable to "Baring Brothers & Co., Limited" and crossed "IADB Loan", representing payment at the rate of £30 per cent. of the nominal amount of the Stock applied for. Such cheques must be drawn on a branch in the United Kingdom (including Northern Ireland), the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques to be cleared through the facilities provided for the members of those Clearing Houses.

Barings, on behalf of the Bank, reserves the right to retain the relevant allotment letters and surplus application moneys (if any) pending clearance of applicants' remittances and allotment.

An alternative method of payment is available in respect of payments of £50,000 or more but only to recognised banks or stockbrokers who irrevocably engage to pay Barings for credit to the account designated "IADB Loan" by 10.00 a.m. on Wednesday, March 12, 1986 the amount in Town Clearing Funds representing payment at the rate of £30 per cent. of the nominal amount of the Stock in respect of which their applications shall have been accepted. The expression "Town Clearing Funds" shall mean a cheque, bankers' payment or bankers' draft which is eligible for presentation in the Town Clearing System in the City of London.

The balance of the amount payable on the Stock allotted must be paid so as to clear by 12 noon on Thursday, May 8, 1986. Any amount paid in advance of its due date shall not bear interest.

After Thursday, May 8, 1986 all Stock in respect of which the balance payable has not been duly paid shall, upon the Bank so electing, be forfeited (without published notice thereof being required), whereupon the Bank shall be entitled to retain the first instalment of such Stock and shall be discharged from any obligation to repay such instalment or to pay interest thereon for any period, and the allotment shall be cancelled. Interest at the rate per annum of 4 per cent. above the base rate for the time being of Barings may be charged on such balance, if accepted after its due date, from (and including) Thursday, May 8, 1986 to (but excluding) the date of payment of such balance, on the basis of the actual number of days elapsed divided by 365. Any payment of the balance payable, if accepted after the due time therefor, shall be treated as having been made at the due time. The Bank further reserves the right, without prejudice to any other rights, in default of payment to sell any such Stock fully paid for its own account.

The expression "recognised bank or stockbroker" shall mean any organisation which is a recognised bank *for the purposes of the Banking Act 1979 and any firm of stockbrokers* which is a member of *The Stock Exchange* and such other banks or brokers as Barings shall at its absolute discretion agree for the purposes of the issue.

Delivery

Renounceable allotment letters (partly paid) in respect of Stock allotted will be despatched on Wednesday, March 12, 1986 by first class post at the risk of the person submitting the application in accordance with the instructions stated on the Application Form. Alternatively, a recognised bank or stockbroker (as defined above) using the alternative method of payment may, by ticking Box A on the Application Form, request that its allotment *letter and/or cheque for excess subscription moneys be retained at Baring Brothers & Co., Limited* (20th Floor), 8 Bishopsgate, London EC2N 4AE for collection between 12 noon and 3.00 p.m. on Wednesday, March 12, 1986. Any uncollected allotment letters will be despatched by first class post as above.

Allotment letters may be split up to 3.00 p.m. on Tuesday, May 6, 1986 in accordance with the instructions contained therein into denominations or integral multiples of £100 nominal amount of Stock. Allotment letters, once renounced, become bearer documents and are transferable by delivery.

Unless a duly renounced fully paid allotment letter with the registration application form duly completed is received by Barings by 3.00 p.m. on Thursday, May 8, 1986, the Stock represented by such allotment letter will, when fully paid, be registered in the name of the original allottee and thereafter Stock will be transferable only by instrument of transfer.

Stock Certificates will be despatched on May 29, 1986, after which date allotment letters will cease to be valid for any purpose.

TERMS AND CONDITIONS OF THE STOCK

The issue of the Stock has been authorised by a Resolution of the Executive Directors of the Bank passed on January 9, 1986 and will be constituted as an unsecured obligation of the Bank by an instrument to be dated March 12, 1986 to be executed by the Bank and deposited with Barings. Such instrument will be supplemental to the instrument dated December 19, 1984 constituting the Existing Stock. The expression "Instrument" when used in these terms and conditions means the instrument dated December 19, 1984 and such supplemental instrument.

The Stock is not an obligation of any Government.

The following is a summary of the terms and conditions relating to the Stock:—

Status

The Stock will represent a direct and unsecured obligation of the ordinary capital resources of the Bank for the due and punctual payment of principal and interest in respect of the Stock and for the performance of all obligations of the Bank with respect thereto. However, the Agreement Establishing the Inter-American Development Bank (as amended) allows the merger of the inter-regional capital stock and the ordinary capital stock of the Bank at such time as the Bank shall have discharged its liabilities on all its ordinary capital borrowings which were outstanding at December 31, 1974. In the event of such merger, the Stock would be payable from the merged capital resources.

The Stock will rank *pari passu* with all bonds, notes, stock and other evidences of indebtedness issued, assumed or guaranteed by the Bank and payable from the same capital resources for the time being as the Stock.

Negative Pledge

As long as any of the Stock shall be outstanding and unpaid, the Bank will not cause or permit to be created on any of its property or assets any mortgage, pledge or other lien or charge as security for any bonds, notes, stock or other evidences of indebtedness heretofore or hereafter issued, assumed or guaranteed by the Bank for money borrowed (other than purchase money mortgages, pledges or liens on property purchased by the Bank as security for all or part of the purchase price thereof), unless the Stock shall be secured by such mortgage, pledge or other lien or charge equally and rateably with such bonds, notes, stock or other evidences of indebtedness.

Interest

The Stock will bear interest from March 12, 1986 to November 15, 1986 at a rate per annum to be *determined in accordance with "Determination of Issue Yield, Issue Price and Interest Rate"* above and thereafter at the rate of 9¾ per cent. per annum. Interest will be payable by equal half yearly instalments on November 15 and May 15 ("Interest Payment Dates") in each year except that the first payment of interest will be for the period from March 12, 1986 to November 15, 1986 and will be calculated using the following formula:—

$$£I = R \times \frac{57}{365} \times \frac{30}{P} + R \times \frac{191}{365}$$

where

£I is the first payment of interest on £100 nominal amount of Stock rounded to three decimal places (with 0.0005 being rounded upwards),

R is the percentage rate of interest attaching to the Stock for the period from March 12, 1986 to November 15, 1986, and

P is the issue price.

Interest will cease to accrue on the Stock on the due date for redemption thereof unless payment of principal is improperly withheld or refused by the Bank.

Form and Transfer

The Stock will initially be issued in *registered form* and will be transferable in multiples of one penny by an instrument in writing as if the Stock were a security to which Section 1 of the Stock Transfer Act 1963 and The Stock Exchange (Completion of Bargains) Act 1976 of Great Britain applied or by any other form approved by the Bank. The initial Register and Transfer Office for the Stock will be at Barings, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

The Bank reserves the right to terminate the appointment of the Registrar provided that no such termination shall take effect until a registrar having a specified office in London has been appointed and notice of whose appointment has been given to holders of the Stock in accordance with "Notices" below.

Redemption and Purchase

(a) Redemption

Unless previously purchased and cancelled or redeemed, the Bank will redeem the Stock at par on *May 15,* 2015.

(b) Purchases and Cancellation

The Bank may at any time purchase Stock on any recognised stock exchange or by tender (available to all holders of the Stock alike) at any price or by private treaty at a price (exclusive of accrued interest and all costs of purchase) not exceeding 120 per cent. of the middle market quotation of the Stock on The Stock Exchange (or, failing such quotation, on such other stock exchange on which the Stock is listed for the time being) at the close of *business on the last business day before the date of purchase, but save as aforesaid,* the Bank may not purchase any Stock. The Bank will be entitled to hold and deal with Stock purchased under this paragraph (b), which may be cancelled or not as the Bank thinks fit.

Payments

Payments of principal and interest will be made in pounds sterling by warrant, drawn on a Town Clearing Branch of a bank in the City of London, which will be sent at the holders' risk by post to persons who are registered as holders of Stock at the close of business on the relevant Record Date (as defined below) or to their nominated agents and made payable to such holders or as they may direct. In the case of joint holders, the warrant will be sent to the first-named unless instructions to the contrary are given in writing. The "Record Date" shall mean the thirtieth day before an Interest Payment Date but should such thirtieth day fall on a day on which the specified office of the Registrar is not open for business then the Record Date shall mean the first day thereafter on which such specified office is open for business.

Events of Default

If the Bank shall default in the payment of the principal of, or interest on, or in the performance of any covenant in respect of a purchase fund or a sinking fund in, any bonds or notes (including the Stock) or similar present or future obligations which have been issued, assumed or guaranteed by the Bank or in the performance of any other obligation arising from "Negative Pledge" above, and such default shall continue for a period of 90 days, then at any time thereafter and during the continuance of such default the holder of any of the Stock may deliver or cause to be delivered to the Bank at its Principal Office in the City of Washington, District of Columbia, United States of America, written notice that such holder elects to declare the principal of all Stock held by him to be due and payable, and on the thirtieth day after such notice shall be so delivered to the Bank the principal of such Stock shall become due and payable, unless prior to that time all such defaults theretofore existing shall have been cured.

Prescription

Principal will cease to be payable on the expiry of a period of 10 years and interest will cease to be payable on the expiry of a period of 5 years, in each case from the due date.

Replacement of Stock Certificates

If any Stock Certificate is mutilated, defaced, destroyed, stolen or lost it may be replaced at the specified office of the Registrar upon payment by the claimant of such cost as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Bank and the Registrar may require. Mutilated or defaced Stock Certificates must be surrendered before replacements will be issued.

Bearer Stock

The Instrument will provide that the Bank may, by executing a supplemental instrument in form satisfactory to the Registrar but without the consent of the holders of the Stock, make provision for the Stock to be exchangeable for Stock in bearer form and for such Stock to be exchangeable for Stock in registered form, in each case at the option of the holder, all on such terms as will be set forth in such supplemental instrument. In such event the terms of the Stock shall, as from the date specified in such supplemental instrument, be deemed to include such provisions and all the Stock will be entitled to the benefit of, and be held subject to, such provisions.

Further Issues

If the Bank wishes to issue further stock so as to form a single issue with the Stock, it shall be at liberty to constitute such further stock by a supplemental instrument on terms that it shall be or become consolidated and form a single issue with the Stock.

Modification of Rights

Except as mentioned above, the conditions of the Stock, the provisions of the Instrument and the rights of the holders of the Stock will be subject to modification by Extraordinary Resolution of the holders of the Stock (and of the Existing Stock and of any further stock forming a single issue with the Stock) as provided in the Instrument. Such a Resolution will require a majority of not less than three-quarters of the votes cast thereon.

Notices

All notices shall be valid if despatched by post to holders of the Stock at their registered addresses (in the case of joint holders to the address of the holder whose name stands first in the Register). Any such notice shall be deemed to have been given on the day following the date of such despatch.

Governing Law

The Stock and the provisions of the Instrument will be governed by and construed in accordance with the laws of England. Legal proceedings in connection therewith may be brought in the courts of England.

INFORMATION RELATING TO THE STOCK

Current United Kingdom Tax Treatment and Stamp Duty

The Bank has been advised, on the basis of current law and practice, as follows:—

(i) interest on the Stock paid as provided herein is payable without deduction of United Kingdom income tax. On the occasion of each interest payment the Registrar will supply the Inland Revenue with the names and addresses of the holders of the Stock to whom interest is due, the amount of Stock held by them, the names and addresses of any other persons to whom interest is paid on the instructions of such holders and the amount of interest paid to each such person;

(ii) the Stock will be a qualifying *corporate bond within the meaning of section 64 of the Finance Act 1984;* as such the Finance Act 1985 provides that gains on Stock disposed of on or after July 2, 1986 will be exempt from United Kingdom tax on capital gains regardless of when the Stock is purchased (and any losses on disposals on or after that date will no longer be capable of qualifying as allowable losses) and that in the meantime the Stock will not attract any indexation allowance;

(iii) the Stock will not be a deep discount security within the meaning of section 36 of the Finance Act 1984 for the purposes of United Kingdom tax on income. Notwithstanding that the issue price of the Stock *will be below its nominal value, no part of the nominal value paid on redemption of the Stock pursuant to* the paragraph headed "Redemption" under "Redemption and Purchase" above will be treated as subject to United Kingdom tax as income (except where the recipient is a person holding the Stock as a dealer for United Kingdom tax purposes). On a disposal of the Stock in the open market by a holder of the Stock (other than a disposal by a person holding the Stock as a dealer for United Kingdom tax purposes, but including any disposal by any other person on a purchase made by the Bank pursuant to the paragraph headed "Purchases and Cancellation" under "Redemption and Purchase" above), no part of the disposal proceeds received will be subject to tax as income (save for any amount which rules introduced by the Finance Act 1985 may treat as representing interest accrued on the Stock during the interest period in which the disposal takes place);

(iv) transfers of the Stock are free of United Kingdom stamp duty.

Persons contemplating the acquisition of Stock who are uncertain as to their current or future United Kingdom tax treatment, or as to their treatment under the revenue laws of other jurisdictions, should consult their professional advisers.

Stock Exchange Dealings

The Stock will be eligible to be dealt in on The Stock Exchange in the Gilt-edged market. The Stock will normally be traded for settlement and delivery on the working day after the date of the transaction. The Stock will be listed on The Stock Exchange and will trade separately from the Existing Stock (which is already listed on The Stock Exchange) until October 16, 1986 (the Record Date for the first Interest Payment Date in respect of the Stock). From that date the Stock and the Existing Stock will be consolidated and form a single issue. The price of the Stock will be quoted exclusive of accrued interest.

It is expected that dealings in the Stock on The Stock Exchange will begin on Friday, March 7, 1986, without documents of title and at seller's risk, for deferred settlement on Thursday, March 13, *1986.*

Purchase Fund relating to the Existing Stock

By an agreement dated 10th December, 1984 (the "Purchase Agency Agreement") the Bank appointed Barings as its Purchase Agent in relation to the Existing Stock. Pursuant to the terms of the Purchase Agency Agreement Barings is obliged to endeavour to purchase, on The Stock Exchange or otherwise, £5,000,000 nominal amount of the Existing Stock for the account of the Bank during the two-year period ending on December 19, 1986, such purchases to be made at such prices (exclusive of accrued interest and all costs of purchase) as Barings may at its sole discretion consider reasonable in the light of the then prevailing market conditions but not exceeding £85.51 per cent. As at the date hereof, £1,000,000 of the Existing Stock has been so purchased.

The above undertaking is, however, not a *term or condition* of the Existing Stock.

There will be no Purchase Fund in respect of the Stock until the Stock is consolidated with the Existing Stock but from October 16, 1986 any balance of the Purchase Fund then unused will apply to the consolidated issue for the remainder of the two-year period referred to above.

Trustee Status

When the Stock is listed it will be an investment falling within Part II of the First Schedule to the Trustee Investments Act *1961.*

Insurance Company Regulations

The Bank is an "approved financial institution" within the meaning of Part V of the Insurance Company Regulations 1981.

USE OF PROCEEDS

The net proceeds to the Bank from the issue of the Stock, on the basis of the minimum issue price of £85.50, will be approximately £63 million and will be included in its ordinary capital resources and used in its ordinary *operations.*

SUMMARY INFORMATION REGARDING THE BANK

All amounts set forth below are expressed in current United States dollars.

Establishment, Domicile and Membership

The Inter-American Development Bank is an international institution, the members of which are governments. It was established and is operating under the Agreement Establishing the Inter-American Development Bank signed by those governments. The Bank officially began operations on October 1, 1960. Its *principal office is located in Washington, D.C. Forty-three governments are members of the Bank, including* the United States and twenty-six other American governments, and the governments of sixteen non-regional countries.

Purpose of the Bank

The purpose of the Bank is to further the economic and social development of the regional developing member countries, *individually* and collectively.

Capital Resources of the Bank

The capital resources of the Bank presently consist of the inter-regional capital resources and the ordinary capital resources. The inter-regional capital resources are held, obligated and otherwise disposed of entirely separate from the ordinary capital resources.

The Agreement provides for the ultimate merger of the inter-regional and ordinary capital resources. Member governments have been asked to approve a proposal to merge the two capitals as of January 1, 1987. In this connection, the Board of Executive Directors has authorised the advance redemption by the end of 1986 of the Bank's ordinary capital borrowings issued prior to 1975 and maturing after December 31, 1986. The purpose of the advance redemption is to establish the preconditions for the merger of the two capitals.

Capital Borrowings Outstanding as of December 31, 1985 ($000's)

	Inter-regional	*Ordinary*	*Illustrative Combined*
Repayable in:			
United States Dollars	$1,446,180	$1,271,988	$2,718,168
Currencies of other regional members	—	7,540	7,540
Currencies of non-regional members	4,730,595	1,909,071	6,639,666
Total Borrowings	$6,176,775	$3,188,599	$9,365,374

Capital Stock and Reserves as of December 31, 1985 ($000's)

	Inter-regional[1]	*Ordinary*	*Illustrative Combined*
Subscribed Capital	$13,104,108	$13,609,639	$26,713,747
Less-*Callable* portion of subscriptions	12,032,574[2]	12,358,335[3]	24,390,909
Paid-in Capital Stock	1,071,534	1,251,304	2,322,838
General Reserve	239,859	1,526,914	1,766,773
Special Reserve	85,472	354,670	440,142
Total Paid-in Capital Stock and Reserves	$ 1,396,865	$ 3,132,888	$ 4,529,753

[1] At February 5, 1986, additional subscriptions to the inter-regional capital stock aggregating $3,850,141,000 *had been received, consisting of $152,639,000* of paid-in capital and $3,697,502,000 of callable capital.

[2] The callable portion of inter-regional capital subscriptions, totalling $12,032,574,000, may be called only when required to meet the obligations of the Bank for funds borrowed or on loans guaranteed by it. *This amount may not be called by the Bank to make loans.*

[3] The callable portion of ordinary capital subscriptions, totalling $12,358,335,000, may be called only when required to meet the obligations of the Bank for funds borrowed or on loans guaranteed by it. This amount may not be called by the Bank to make loans.

Loan Operations

As of December 31, 1985 the Bank had approved loans from its inter-regional capital resources in an aggregate principal amount equivalent to $10,910,994,000 to finance programmes or projects in 22 countries. Of that amount, sales to participants and repayments by borrowers were the equivalent of $598,868,000, the undisbursed balances *were the equivalent of $5,753,585,000* and outstanding balances held by the Bank were the equivalent of $4,558,541,000.

As of December 31, 1985 the Bank had approved loans from its ordinary capital resources in an aggregate principal amount equivalent to $10,143,053,000 to finance programmes or projects in 22 countries. Of that amount, sales to participants and *repayments by borrowers* were the equivalent of $2,831,562,000, the undisbursed balances were the equivalent of $3,283,800,000 and outstanding balances held by the Bank were the equivalent of $4,027,691,000.

Pursuant to the Bank's interest rate policy described in "Loan Terms" under "Inter-regional and Ordinary Operations of the Bank" in the Extel Card relating to the *Bank dated January 2, 1986,* the interest rate due on disbursements made from January 1, 1986, on loans from the Bank's inter-regional capital resources and on the foreign exchange portion of loans from the Bank's ordinary capital resources approved after January 1, 1983, has been set at 8.75% per annum.

Summary of Balance Sheet of *Inter-regional* and *Ordinary* Capital as of December 31, 1985 ($000's)

	Inter-regional	*Ordinary*
Assets		
Cash	$ 9,510	$ 194,594
Investments	2,258,424	1,472,734
Loans outstanding	4,558,541	4,027,691
Accrued interest *and other charges*	*165,057*	135,307
Receivable from members	588,476	145,831
Other assets	80,322	255,215
Special Reserve assets	85,472	354,670
Total Assets	$7,745,802	$6,586,042
Liabilities and Capital		
Liabilities		
Borrowings, less unamortised discount	$6,165,729	$3,162,534
Obligation under capital lease	—	143,239
Accrued interest on borrowings	169,731	92,351
Accounts payable and other liabilities	13,477	*55,030*
Capital		
Capital Stock		
Subscribed	13,104,108	13,609,639
Less-Callable portion	*12,032,574*	12,358,335
	1,071,534	1,251,304
General Reserve	239,859	1,526,914
Special Reserve	85,472	354,670
	1,396,865	3,132,888
Total Liabilities and Capital	$7,745,802	$6,586,042

UK COMPANY NEWS

Burmah expands chemical side via £8m US purchase

BY LIONEL BARBER

BURMAH OIL, Britain's oldest oil exploration company, yesterday announced a $12m (£8.33m) US acquisition which will expand significantly its speciality chemical activities.

Burmah Speciality Chemicals, a subsidiary, has bought the water management division of the Michigan-based Clow Corporation. The business specialises in detecting and preventing pollution in water and heating/cooling systems, a market worth an estimated $2bn a year in the US.

The deal adds a fourth sector to Burmah Speciality Chemicals' (BSC) interests which include printing links, adhesives and sealants and coatings. BSC, set up in 1981, made operating profits of £7.4m on £107.8m turnover in 1984. In the first half of 1985 it made £3.9m operating profit.

Mr Jonathan Fry, BSC chief executive, said: "I envisage rapid organic growth and further acquisitions in this field, both in the US and Europe."

The new business will be called Burmah Technical Services. Its chief executive will be Mr Doug Schwartz, who has spent around 20 years in water management and pollution control, serving ten years with Clow, the latter part as *general manager*.

It will employ 160 people and will be based in Pontiac, Michigan. There are four manufacturing plants based in the Mid west and south west.

According to Mr Fry, water management is big business in the US. Tight regulations on factories discharging waste and increasing concern about health risks in defective cooling systems—following well-publicised outbreaks of Legionnaires Disease—make it a growth market.

In essence, Burmah Technical Services will buy *in chemicals*, blend them, and then sell on to customers. The process is not asset-intensive, says Mr Schwartz, and the value arises from after-sales service. "A skilled engineer can bring in $500,000 of business a year."

The US market, however, is highly fragmented. The main obstacle to growth lies in the expense in training sales engineers. "Many companies are unwilling to invest a lot of money in someone who won't produce a return for two to three years. They go for the short-term," says Mr Schwartz.

Mr Schwartz said that Clow's water management division had achieved a 30 per cent return on capital employed, before tax. This compared to a 40 per cent return achieved by one of the US industry's leaders, Nalco. "We aim to be in the top six in the US market within the next five years," says Mr Schwartz.

AMS shares slide on profits warning

AMS Industries, which designs and manufactures digital sound processing equipment, has met the profit forecast it made when it came to the market via an offer for sale last October. Profits for the year ended November 30 came to £3.07m pre-tax, compared with a previous £1.02m and a projection of not less than £3m.

Turnover amounted to £4.93m against £3.48m, and produced operating profits at £2.84m (£1.8m), indicating a margin of nearly 58 per cent (52 per cent).

The directors are confident of increased sales and profits for the current year, but they are cautious as to the "balance of profitability between the first and second halves of this financial year."

They say that since the year end, whereas the market for hand-held computers has continued to be consistently strong, and sales enquiries for the new AudioFile Products have considerably passed their initial expectations, there has been a decline in the rate of order intake for the existing range of audio processing equipment.

As forecast, there is to be a final dividend of 0.825p, with earnings per share at 6.32p (1.9p), after £1.25m tax (£474,000). Retained profit came to £1.84m (£541,000).

The company's balance sheet is strong, say the directors, reflecting both a successful year's trading and the net proceeds of the flotation, which raised £794,000 net of expenses. Cash balances of £3.3m at the year end formed the bulk of £3.8m net tangible assets.

Since the year end the company has moved its production facilities to new premises in Burnley, Lancs, and will relocate all its other activities there next spring.

Mr Mark Crabtree and Mr Stuart Nevison, the founders of the company, have waived their entitlement to £183,000 worth of dividend.

● comment

AMS's caution over present trading levels in the statement *accompanying these results* has been taken very much to heart by the market. The shares fell 19p to 104p, only 9p above the September offer level when the company was floated on the main exchange. What AMS has pointed up is to the company, an inexplicable slowing down in demand for its core products. These audio processors, used in professional broadcasting, provided some five-sixths of profits in the year to November. With such high operating margins (almost 60 per cent this time round), any fall in core sales feeds through quickly below the line. So while AMS has met its listing forecasts, the prospect for the current year is for a far more pedestrian rate of growth than the 60 per cent achieved in 1985. Forecasts are for £3½m, which put the tightly-held shares on a prospective p/e of almost 14 on a 35 per cent tax charge. Friday's suspension of trading for Lexicon, the digital sound equipment maker which came to the market shortly after AMS, is also a worry, but the comparison should not be stretched too far. However, a cash pile alone will not convince that high rates of growth will return and until the company does this the shares are bound to reflect a less expensive outlook.

Microvitec halved to £1.2m

SECOND half taxable profits of Microvitec, USM-quoted micro electronic product manufacturer, fell from £1.12m to £612,000 and left the full 1985 figure at £1.15m, compared with £2.64m previously.

The dividend is lifted, however, from a single payment of 0.75p to 1.25p with a final distribution of 0.75p. After tax of £417,000 (£1.25m) earnings are given as 2.7p (5.3p) per share.

Turnover doubled during the 12 months from £14.81m to £29.74m, but gross profits fell short at £4.71m, against £5.04m. Higher distribution costs and administration expenses, up from £1.43m to £1.61m, and from £1.29m to £2.08m respectively, left an operating profit of £1.02m (£2.32m).

The pre-tax figure was after higher interest payable of £93,000 (£18,000) and included lower interest receivable, down from £342,000 to £220,000.

The directors say that the introduction of a number of products assisted the company's growth, although the development of the organisation and financial controls were not in line with this expansion.

Action was taken they add, in the latter half of the year to strengthen management and improve financial controls.

The company plans to continue during the year to exploit growth markets and has recently launched a range of high performance monitors and will be soon releasing a new graphics terminal.

● comment

Development costs associated with Microvitec's diversification from monitors into higher added value graphics terminals have undoubtedly eaten into margins, but the company acknowledges that its biggest handicap has been the lack of financial controls and management information systems adequate to cope with its rapid transformation from workshop to corporation. Hindsight suggests that the company was perhaps over hasty in coming to the market on the electronics bandwagon in 1984. However, four new board members are now in place, an attack on costs is in progress, the move into higher margin products is continuing and a launch of graphics terminals into Europe is imminent. A partial recovery to £1.5m could be in sight this year, putting the shares, down 2p at 35p, on a prospective p/e ratio of 10 after a 36 per cent tax charge, but past experience suggests that further evidence that the recovery is under way will be required before they look attractive.

IFICO falls 43% in six months

AFTER AN eight-year rising trend the Industrial Finance and Investment Corporation saw its profits for the opening six months of the 1985-86 year fall by 43 per cent to £250,000 at the pre-tax level.

The interim dividend, however, is being held at 1p net per 25p share from earnings of 1.93p, compared with a previous 7.41p.

The directors tell shareholders that following the Chancellor's 1984 Budget statement regarding the reduction in the rate of both corporation tax and capital allowances, the amount of income derived from fees from leasing and other tax-based financial arrangements has declined.

They add that the pace of this decline during the current financial year has been greater than was originally anticipated.

"There can be no doubt," that the company has faced a short-term problem but much has been done to grasp longer-term opportunities."

The directors point out that the company has substantially brought forward its planned diversification programme and during the last few months has:

● Established an "in house" consumer credit company.

● Acquired a substantial and successful firm of residential estate agents in the home counties.

● Acquired a rapidly-expanding business travel company based in central London.

● Established, together with an experienced nursing homes operator, a joint company which it is intended will develop and run residential nursing homes in the south-east of England.

Acquisitions have been made and further research into other potential acquisitions continues.

No further provisions are being made, at this stage, in respect of underlying investments of East of Scotland Onshore pending the outcome of current negotiations.

Turnover for the first six months (to December 31 1985) improved from £1.51m to £3.08m—the company's interests are in banking and finance.

Tax accounted for £97,000 (£191,000) to leave net profits at £153,000, against £248,000.

The year to June 1985 saw pre-tax profits rise by 43 per cent, from £731,794 to £1.05m, from a turnover £3m ahead at £5.19m.

Last December the company acquired Temple Bar Travel for cash and shares. In August it purchased Douglas Allen Spiro, an estate agent with offices in Essex and East London.

COMPANY NEWS IN BRIEF

SOMPORTEX HOLDINGS, confectionary distributor, has changed its accounting date to the end of the year, and for the eight months ended December 31 1985 has cut its loss to £118,425, against £276,149 for the 1984-85 year. The *directors expect* the company to trade profitably in 1986 and will consider the resumption of dividends after last year's omission. The year-end has been changed to remove seasonal distortion after the sale of the candy division last November. Turnover in the eight months came to £2.9m, compared with £4.56m. After a tax credit of £44,951 (£78,130) the net loss is reduced to £73,474 (£198,019).

STOTHERT & PITT, engineer, reports pre-tax losses up from £128,000 to £1.42m for the half year to December 31 1985. But the directors say that the programme of changes undertaken between September and December last year, will lead to a much improved situation in the second half. Turnover was little changed at £12.34m (£12.38m), while losses per £1 share leapt from 5p to 55.4p. The company has been reorganised into four autonomous businesses each having control over its own engineering, manufacturing, sales and financial activities. Early results are encouraging with improving order books in each business.

CRUSTS, operator of bistro theme restaurants, reports a pre-tax profit ahead from £95,000 to £267,000 for the half-year ended December 29, 1985. The company came to the USM via a placing at 74p last November. The directors are encouraged by trading so far in the second half—this is usually the better trading period with a strong final quarter. Turnover in the six months came to £2.12m and trading profit to £415,000. The interim dividend is 0.35p per share.

YELVERTON INVESTMENTS achieved a net profit of £40,000, against a loss of £67,000, for the year to end-October 1985. Earnings per 5p share of this USM stock were 0.5p (loss 0.8p) but there is again no dividend. Net asset value per share at the year-end was 34p against 24p a year earlier.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interim:—Telemetrix.

Finals:—BSR International, Ciegden Industries, Fisons, Fleming Mercantile Investment Trust, Johnstone's Paints, National Westminster Bank, Nineteen Twenty-Eight Investment Trust, Provident Financial, Stat-Plus.

FUTURE DATES

Interims:—	
American Elec. Components	Mar 6
Berry Trust	Apr 18
CPU Computers	Mar 6
Consolidated Gold Fields	Mar 12
Continental Microwave	Mar 10
Cosalt	Apr 22
Lawtex	Mar 12
Yarrow	Mar 10
Finals:—	
Abbott Mead Vickers	Mar 6
Assoc. Steel Distributors	Mar 24
BTR	Mar 12
Camellia Investments	Mar 13
Counter Products Marketing	Mar 17
Early's of Witney	Mar 24
Harmony Gold Mining	Mar 5
Newbold and Burton	Mar 6
Renark	Mar 26

UK NEWS

John Moore reports on a merchant bank's approach to an ambitious reorganisation

Hill Samuel prepares for a transformation

HILL SAMUEL, the merchant bank, will next month be completing its acquisition of Wood Mackenzie, the Edinburgh-based stockbroker, as part of plans to create an integrated investment banking business.

The move is one of the most important developments for the group since its formation in the early part of the 19th century. Indeed, the planned integration of the two businesses is one of the more ambitious structural reorganisations attempted by a merchant banking group in the City's financial services revolution.

In September 1984 Hill Samuel signed an agreement to purchase a 29.9 per cent stake in Wood Mackenzie for £5.98m and to buy the remaining 70.1 per cent once stock exchange rules on ownership of its member firms were relaxed. At the time the deal valued Wood Mackenzie at £20m.

Next month Hill Samuel is to acquire the remaining 70.1 per cent atake and implement reorganisation plans designed to create a "full service," internationally-orientated investment banking operation with a total staff of more tban 1,600.

Hill Samuel considered tbree options in drawing up its plans:

- *Combining the present staff* and activities of the bank and of Wood Mackenzie—including securities market-making operations—in a single division of Hill Samuel Group.
- Creating a "securities" division of Hill Samuel Croup formed of all research, distribution and market-making ectivities and tbe related staff.
- Splitting the staff and activities of tbe bank, as enlarged by the Wood Mackenzie operations and by market-making activities, into separate commercial and iovestment banking divisions of Hill Samuel Group.

Hill Samuel believes clients' needs will call for a fusion of merchant bankers' and brokers' roles

In wbat Hill Samuel bas described as the integrated investment bank solution, it has chosen the first strategy.

It believes the transaction requirements of corporate and other clients will call for a fusing of the current, rigidly-defined roles of the merchant bank and the stockbroker, much as the role of the broker and jobber or market maker will become fused in October, when the Stock Exchange rules requiring the separation of the functions of broker and jobber will be relaxed.

Under the reorganisation plans, the integrated businesses of Wood Mackenzie and Hill Samuel will be run by an executive committee of eigbt. Mr John Chiene, head of Wood Mackenzie, will bave overall responsibility for equity and corporate finance business. Other executives will be responsible for commercial banking and the Eurobond operations; services for small companies and financing activities sucb as large leasing deals; equity business; personnel and administration; internal budgeting; treasury, gilts and Eurobond trading and distribution, and tbe bank's corporate finance activities.

Hill Samuel argues that its choseo route will break down the cultural differences between securities dealers and bankers—melding, as far as possible, the disciplines of both in an organisation which is trying to eliminate fragmentation.

Hill Samuel saya its competitors have shown reluctance to "shape" their organisations for the new era because of the cultural and physical obstacles associated with acquiring suiteble premises.

Executives have been told it is crucial that they keep corporate finance information confidential

The new Hill Samuel group will house investment banking, investment management, research into securities, distribution and market making, which Hill Samnel recognises will enlarge the areas for potential conflicts of interest. Because of its link with Wood Mackenzie, it intends to maintain the present eutonomy of its investment management business rather than bring it closer to the operations of the bank, as it once intended.

Executives have been told it is of critical importance tbat they keep corporate finance information confidential from the research departments, which will be making recommendations on whether to buy and sell sbares, and from equity distribution and market making.

Hill Samuel realises tbat if it had chosen the second option and establisbed a separate securities division, it would bave demonstrated the separation of functions more visibly and avoided accusations of conflicts of interest. Bnt the group bas decided that the advantages of the present arrangement outweigh the disadvantages in terms of organisation.

"Tbe route we have chosen is arguably the boldest and, to aome extent, the most difficult satisfactorily to implement," said an executive. Evan so, Hill Samuel is convinced that it is tha best way to capitalise on opportunities in a deregulated markets and minimise risks.

Eric Short reports on reaction to demands by a Commons committee

Dilemma for life industry over disclosure plans

THE life assurance industry has been thrown into turmoil by the demand made last week by MPs in the standing committee on the Financial Services Bill that all life assurance salesmen, whatever their status, must disclose to consumers the commissions received on the sale on all life contracts.

Tbe move also has serious implications for the Marketing of Investment Board Organising Committee, the body handling the marketing of investments aspects of the financial services proposals and which had originally put forward proposals for disclosure of commissions.

These proposals classified salesmen into two categories, independent intermediaries and company representatives. The latter includes the so-called tied agent, who is not an employeo of the life company but who, in return for extra remuneration, places business with the company to which he is tied.

Independent intermediaries would be required to disclose to their client the amount of commission during the specified "cooling off" period after a sale, during which the client can change his mind and opt out. The full amount would be revealed unless the intermediary was operating under an industry agreement covering maximum commissions, in which case be would only need to state this rather than the precise amount.

However, company representatives, including tied agents, would not be required to disclose commissions and this was the catalyst for the present problems.

The British Insurance Brokers' Association claimed this different arrangement for independent intermediaries and tied agents did not conform to the principle of equivalence of treatment.

The association wanted life companies employing tied agents to file details of remnneration to those agenta with the appropriate aelf-regulatory eutbority under the Government's financial servicea proposals so that this could be monitored and escalation of peyments by a particular company investigated.

Some life companies, particularly the United Kingdom Provident Institution of Salisbury, wanted tied agents to be subject to the sama disclosure rules as independent intermedaries. It considered that the Miboc requirements would put independent intermediaries at a financial disadvantage to tied agents and it has been urging those intermediaries to lobby their MPs pointing this out.

The campaign by the association and UKP would appear to have echieved more tban they bargained for. Mr Robert McCrindle, Cooservative MP for Brentwood and Ongar, is the parliamentary adviser to the association and his original amendment was very much on the association's lines. But the other MPs went further, adopting the views of tbe Office of Fair Trading aod the Consumers' Association that full disclosure of commission payments sbould be made to the client by all sales people during the sale, including a comparison with commissions paid on other products.

The whole theme of investor protection has been that the client should be given as mnch information as is necessary to judge the investment offered and to compare it with other forms of investment.

Professor Jim Gower, whose original report of the Government on investor protection led to the current Bill, further recommended that commission should not influence the intermediary in his recommendation of life companies. Thus disclosure was necessary for indepeodent intermediaries but not for tied agents and company employees.

This principle was adopted in the White Paper on Financial Services, but the relevant parts of the current Financial Services Bill are vague, because this is being left to the code of business rules issued by tbe Securities and Investments Board.

Tbe standing committee went far beyond Mr McCrindle's original amendment, putting Mr Michael Howard, the Minister for Corporate and Consumer Affairs, under pressure not only for full disclosure of commissions but other charges and surrender values as well.

Mr Howard has referred the whole matter back to Miboc for urgent consideration — Miboc baving in effect one mooth to reconsider the whole qnestion of commission disclosures in the light of the standiog committee's decision.

The life assurance industry, including registered insurance brokers, is fearful of full commission disclosure particularly on regular premium contracts. Tbe method of remuneration la to pay the bulk of the commission in the first year. For some contracts this can be as much as two-thirds of the first year's premium or more.

In cash terms an investor would be told that out of the £100 monthly premium paid during the first 12 months, the intermediary was receiving around £66. The industry fears this would provoke a consumer backlash against being sold life assurance.

The Linked Life Assurance Croup, wblch represents many of the newer unit-linked companies, most of which market through tied agents, had emphasised the detrimental effects of any form of disclosure and has claimed that all that is necessary is to disclose departures from laid-down industry standards on commissions.

Miboc has a difficult task on its bands, though Mr Mark Weinberg, its cbairman wbo is also chief executive of Allied Dunbar, is not prepared to comment on the remit other than to state that it has serious implications for the independent intermediary as well as company representatives.

The standing committee has in effect thrown out government policy as set out in tbe White Paper and Mr Howard has aksed Miboc to rewrite government policy in line with the standing committee'e decision—a reflection on the novel way in which the Government is getting a private body to formulate the details of its financial services legislation.

Miboc is in something of a dilemma. The standing committee has made it clear that it will accept nothing less than full disclosure. The life assurance industry will expect Miboc to defend current marketing practices to the Government.

The likely course for Miboc is to restate why the White Paper took its original line, examine wbat the standing committee suggests, point out the likely consequences. But it is difficult to see how Miboc can avoid setting out proposals that go a long way towards meeting the committee's demand.

Mr Fred Dinsmore, cbairman of the LLAG, considers that harsb disclosure for everyone will act as a catalyst to unify the whole life assurance market into opposing the committee's decision and formulating alternative proposals acceptable to all.

Robert McCrindle: taok the Biba line

BASE LENDING RATES

ABN Bank 12½%	■ Hambros Bank 12½%
Allied Dunbar & Co. 12½%	Heritable & Gen. Trust 12½%
Allied Irish Bank 12½%	■ Hill Samuel ....§12½%
American Express Bk. 12½%	C. Hoare & Co. 12½%
Amro Bank 12½%	Hoogkong & Shanghai 12½%
Henry Ansbacher 12½%	Johnson Matthey Bkrs. 12½%
Associates Cap. Corp... 12½%	Knowsley & Co. Ltd.... 13 %
Banco da Bilbao 12½%	Lloyds Bank 12½%
Bank Hapoalim 12½%	Edward Manson & Co. 13½%
Bank Leumi (UK) ... 12½%	Meghraj & Sons Ltd.... 12½%
BCCI 12½%	Midland Bank 12½%
Bank of Ireland 12½%	■ Morgan Grenfell 12½%
Bank of Cyprus 12½%	Mount Credit Corp. Ltd. 12½%
Bank of India 12½%	National Bk. of Kuwait 12½%
Bank of Scotland 12½%	National Girobank ... 12½%
Banque Belge Ltd 12½%	National Westminster 12½%
Barclays Bank 12½%	Northern Bank Ltd. ... 12½%
Beneficial Trust Ltd ... 13½%	Norwich Gen. Trust ... 12½%
Brit. Bank of Mid. East 12½%	People's Trust 13½%
■ Brown Shipley 12½%	PK Finana. Intl. (UK) 13½%
CL Bank Nederland... 12½%	Proviocial Trust Ltd... 13½%
Canada Permanent ... 12½%	R. Rapbael & Sons ... 12½%
Cayzer Ltd. 12½%	Roxburghe Guarantee 13 %
Cedar Holdings .... 13 %	Royal Bank of Scotland 12½%
■ Charterhouse Japbet... 12½%	Royal Trust Co. Canada 12½%
Citibank NA 12½%	Standard Chartered ... 12½%
Citibank Savings ......§12½%	TCB 12½%
City Merchants Bank... 12½%	Trustee Savings Bank 12½%
Clydesdale Bank 12½%	United Bank of Kuwait 12½%
C. E. Coates & Co. Ltd. 13 %	Uoited Mizrahi Bank... 12½%
Comm. Bk. N. East ... 12½%	Westpac Banking Corp. 12½%
Consolidated Credits... 12½%	Whiteaway Laidlaw ... 13 %
Continental Trust Ltd. 12½%	Yorkshire Bank 12½%
Co-operative Bank *12½%	
The Cyprus Popular Bk. 12½%	
Duncan Lawrie 12½%	
E. T. Trust .... 13 %	
Exeter Trust Ltd. ...... 13 %	
Financial & Cen. Sec. 12½%	
First Nat. Fin. Corp ... 13½%	
First Nat. Sec. Ltd. ... 13½%	
■ Robert Fleming & Co. 12½%	
Robert Fraser & Ptrs. 13½%	
Crindlays Bank ....‡12½%	
■ Guinness Mahon 12½%	

■ Members of tho Accepling Houses Committee.

* 7-day deposits 8.70%. 1-month 9.80%. Top Tier—£2,500+ at 3 months notice 12.08%. At call when £10,000+ remains deposited.

‡ Call deposits £1,000 and over 9% gross.

† Mortgage base rate.

§ Demand dep. 8¾%. Mortgage 13%.

NOTE: The symbol shown against Hill Samuel Base Rate on February 24, 25 and 26 was incorrect.

FT COMMERCIAL LAW REPORTS

Spare parts exception to copyright law

BRITISH LEYLAND MOTOR CORPORATION LTD v ARMSTRONG PATENTS CO LTD

House of Lords (Lord Scarman, Lord Edmund-Davies, Lord Bridge of Harwich, Lord Templeman and Lord Griffiths): February 27 1986

A CAR manufacturer's copyright in engineering drawings does not prevent the copying of exhaust pipes by spare part manufacturers, in that car owners have a right to repair their cars in the most economical way possible, unrestricted by monopoly.

The House of Lords so held when allowing an appeal by *Armstrong Patents Co Ltd*, spare part manufacturers, from a Court of Appeal decision (*[1984] FSR 591*) upholding an injunction prohibiting it from copying exhaust pipes made from design drawings in which the copyright was owned by British Leyland Motor Corporation Ltd.

Section 3(5) of the Copyright Act 1956 provides: "The acts restricted by the copyright in an artistic work are (a) reproducing the work in any material form ..."

Section 9(8): "The making of an object of any description which is in three dimensions shall not be taken to infringe the copyright in an artistic work in two dimensions, if the object would not appear, to persons who are not experts in relation to objects of that description, to be a reproduction of the artistic work."

Section 48(1): "... 'reproduction' ... in the case of an artistic work, includes a version ... by ... three-dimensional form ..."

* * *

LORD BRIDGE said that it was clear on authority that a copyright drawing must be considered as a whole. In the light of section 9(8) of the Copyright Act 1956, if the relation between the drawing and object was apparent to the non-expert, then there would be infringement of copyright.

But to allow BL to enforce its copyright to maintain a monopoly was to detract from the car-owners' right to a free market in spare parts.

There was inconsistency between marketing cars and thereby creating whatever rights attached to ownership on the one hand, and acting to restrain the free exercise of those rights on the other. The law did not countenance such inconsistencies. If the BL car owner was to enjoy the freedom to have his car repaired in the most economical way possible when the exhaust pipe needed replacing, that would undoubtedly be achieved only by straight copying.

The appeal should be allowed.

*

LORD TEMPLEMAN said that BL manufactured the Marina car. Its component parts included two lengths of exhaust pipe which needed replacement at intervals from six months to two years.

Armstrong manufactured replacement pipes, copying the shape and dimension of the original.

BL claimed that copyright prevented Armstrong from manufacturing exhaust pipes for the Marina unless it paid a royalty. Armstrong declined to pay. BL obtained an injunction which effectively prevented it from manufacturing replacement exhausts for the Marina.

If the injunction was rightly granted, any motorist who drove a BL car must buy his spare parts from BL at prices fixed by BL, or bear the burden of a royalty payable to BL for the privilege of buying his spare part from somebody else.

In designing the Marina BL employed draughtsmen who made engineering drawings from instructions given them by design engineers. Armstrong had never seen BL's engineering drawings and did not copy them directly. It took a BL exhaust pipe and copied that.

Armstrong said first, that copyright did not extend to the direct reproduction of a functional article such as an exhaust, which was not protected by patent law and was not a registered design.

The Copyright Act 1956 provided by section 9(8) that the making of an object in three dimensions should not infringe an artistic work in two dimensions "if the object would not appear" to non-experts "to be a reproduction of the artistic work."

In *L B (Plastics) v Swish [1979] RPC 55* the plaintiffs designed and manufactured a drawer system of furniture in accordance with production drawings. The defendants copied the drawers in producing their own versions. The plaintiffs claim for breach of copyright in their production drawings was upheld in the House of Lords.

That decision showed clearly that Armstrong's first argument could not be sustained.

Its alternative submission was that BL, by choosing to manufacture *a car by reference to engineering* drawings and by marketing a car which could only be kept in running order by repairs involving indirect reproduction of those engineering drawings, could not assert their copyright so as to prevent repairs being carried out.

As between landlord and tenant and as between vendor and purchaser of land, the law had long recognised that "a grantor having given a thing with one hand is not to take away the means of enjoying it with the other" (*see Birmingham (1888) 38 Ch D 295, 313*).

A grantor would not be allowed to derogate from his grant by using property retained by him in such a way as to render property granted by him unfit or materially unfit for the purpose for which the grant was made. There was no reason why that principle should not apply to the sale of a car.

BL owned the car and a copyright in a drawing of the exhaust. It sold the car and retained the copyright. The exercise of the copyright in the drawing would render the car unfit for the purpose for which it was held.

*BL could not exercise its copy*right so as to prevent the car being repaired by replacement of the exhaust pipe.

The right to repair was based on the principle of non-derogation from grant rather than implied licence. There was no *difficulty in concluding* that suppliers such as Armstrong might make exhaust pipes to be supplied to BL cars requiring repair.

Every owner of a car had the right to repair it. That right would be useless if suppliers of *spare parts* were not entitled to anticipate the need for repair. The right could not be withheld by the manufacturer of the car by contract with the first purchaser, and could not be withheld from any subsequent purchaser.

Copyright in a drawing of a functional article was infringed by reproduction of that article. Nevertheless, copyright was granted by statute in respect of the drawing and not in respect of the article.

BL marketed and sold a car as a form of transport which required an exhaust pipe in order to function. It was not selling exhaust pipes. The car could only be kept in repair by replacement of the exhaust pipe, which was not the subject of a patent.

In those circumstances BL was not entitled to assert the copyright in its drawing of an exhaust pipe in order to defeat the right of the purchaser to repair his car.

The exploitation of copyright law had gone far enough. There was no reason to confer on a manufacturer the right in effect to dictate the terms on which an article sold by him was to be kept in repair and working order.

The appeal should be allowed.

Lord Scarman and Lord Edmund-Davies gave concurring judgments.

*

LORD GRIFFITHS agreeing that the appeal should be allowed for different reasons, said that section 3(5) of the 1956 Act provided that the mechanical drawing might not be reproduced in any material form without licence of the owner of the copyright.

Armstrong never saw BL's mechanical drawings and in any ordinary usage of the word "copy," it never copied the drawings.

The exhaust pipe was excluded *from copyright design protection* under the Design Copyright Act 1949 because it had no appeal to the eye and because its shape was dictated solely by function (see section 1(3)).

If it had qualified for design copyright protection the period would have been limited to 15 years; if it had qualified for patent protection the period was limited to 20 years; but if it was *entitled to copyright protection* through the mechanical drawing, protection might be as long as 100 years—the life of the draughtsman and 50 years after his death.

It was inconceivable that Parliament, having explicitly denied the benefit of *design copyright* to a purely functional object such as an exhaust pipe, could have intended an effectively greater protection to be granted through an author's artistic copyright.

But manufacturers and their *lawyers had recently managed* to persuade the courts to extend the protection of artistic copyright to protect the shapes of various types of purely functional objects. They had in effect achieved copyright in an exhaust pipe.

That bizarre result was the consequence of the courts construing "reproducing" in section 3(5) as including "indirect copying" in circumstances where it was not necessary to do so to achieve the purpose of the Act. The purpose was to protect the commercial value of the artist's work and labour, not to grant a monopoly to a manufacturer.

To construe copying as including "indirect copying" was to give an unnatural and extended meaning to "copying." It was justifiable to do so if necessary to achieve the purpose of the Act, but it was not justifiable to do so to achieve a result which was manifestly not the purpose of the Act, as had happened in recent years.

"Reproducing" in section 3(5) should not be given the extended meaning of "indirect copying" where the mechanical drawing or blueprint was of a purely functional object. In such cases the scope of artistic copyright should be limited to the natural meaning of the words, namely direct copying including using the drawing to make the object depicted.

Applying that definition, Armstrong had not infringed the copyright in the mechanical drawings by copying the exhaust pipe without seeing or receiving any assistance from the drawings. The appeal would be allowed for that reason.

Had the 1956 Act on its true construction extended the protection of indirect copying to all mechanical drawings and blueprints, there would have been difficulty in refusing to enforce that protection. It was not for the courts to refuse to enforce a right that Parliament had given.

For Armstrong: Alan Tyrrell QC, A. J. D. Wilson and Michael Hicks (Allen and Overy).

For BL: Roger Henderson QC, Hugh Laddie and Andrew Waugh (R. P. A. Coles).

By Rachel Davies
Barrister

THESE REPORTS, together with full texts of judgments, are published in monthly volumes. For subscription details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London WC2B 6BD. Phone 01-831 0391.

F.T. CROSSWORD PUZZLE No. 5,963

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4 Dog posing problems at the moment! (6)
8 About to go to church at one point with proof of payment (7)
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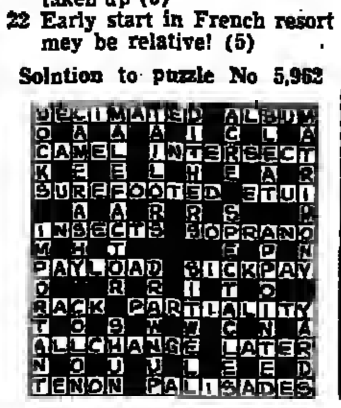
13 House on island for Irish Protestant (6-3)
15 Last gasp as beer goes off? (6, 3)
17 Biting allowed at small pastry (7)
19 Contrary to defeat (7)
21 Foot-lever exercises boy's taken up (5)
22 Early start in French resort may be relative! (5)

Solution to puzzle No 5,962



APPOINTMENTS

Board changes at BET subsidiaries

Mr "Bill" Boulton, a BET director and chairman of BET Plant Services has been appointed chairman of Sparrows and is joined on the board by Mr David Moreton and Mr John Young. Mr Alf Sparrow and Mr George Sparrow have resigned their directorships and have no longer any direct connection with the company. Substantial restructuring of the business will take place shortly and it has been mutually agreed that Mr Angus Lyon and Mr Peter Taylor will relinquish their responsibilities in due course. From April 1, the two crane rental companies Grayston White and Sparrow Crane Hire will merge and trade as Grayston White & Sparrow. Mr Bob Floyd, general manager and director of the Sparrow UK crane operation, will be joining the board of Grayston White & Sparrow. Also on the board of Grayston White & Sparrow will be Mr G. A. H. Watts, Mr G. M. Watson, and Mr M. C. Padkin. Mr John Powell, a director of Grayston White will relinquish his crane hire responsibilities to concentrate on the small plant and tool division following his appointment as managing director of Grayston Hire Services. Mr Powell will also continue to serve on the boards of certain overseas access companies. Sparrows Offshore Services will be an independent division of BET Plant Services and Mr Ken Scott, divisional director and general manager, will become managing director. Sparrows Industrial Services will also operate as a separate division within BET Plant Services and Mr Marshall Price, divisional director, will become managing director.

*

Mr Gordon J. Wiggins has been appointed a main board director of MOORGATE *MERCANTILE HOLDINGS*. He joined in 1982 and is managing director of a subsidiary, Nene Investments.

*

EVODE GROUP has appointed Mr Anthony J. Wain as company secretary and finance director (designate).

*

MORPHY RICHARDS (a Glen Dimplex company) has appointed from March 1 Mr Jim Cadman as sales and marketing director. He was with Swan Housewares.

*

CHARTERHOUSE PETROLEUM has appointed to the board Dr Pierre Jungels, managing director and chief executive, Petrofina (UK) and Mr Henrique Vieira, general manager exploration and production, Petrofina SA.

*

Dr Owen Bavinton has been appointed joint managing director of BRIDGE OIL SERVICES, operator of the Aredor Diamond Project in Guinea, which has its headquarters at Aylesbury, Bucks. He was formerly manager of Western Mining Corporation's Brazilian activities.

*

Mr Colin Dawe has been appointed managing director of BRITISH ALCAN CONSUMER PRODUCTS after three years as sales and marketing director. He

Mr Colin Dawe, managing director, British Alcan Consumer Products

is succeeded by Mr Roger Hadaway, who was works manager at British Alcan's plant at Amersham.

*

BBA GROUP has appointed Mr Vanni E. Treves, as a non-executive director. He is a partner of Macfarlanes, City solicitors.

*

Mr Richard Homan has been appointed chairman of the SPECIALISED ORGANICS ECONOMIC DEVELOPMENT COMMITTEE. He was industrial director at the National Economic Development Office.

*

Appointed as overall director for the City and home counties division of ALEXANDER STENHOUSE UK is Mr Kenneth J. Davis, who is based in London. Two directors, reporting to Mr Davis, have also been appointed. They are Mr Sholto Morton, executive director responsible for the City and Mr Bryan Hammond, regional director for the home counties, based at Potters Bar.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80 Holdenhurst Rd, Bournemouth 0345 717373

For Aitken Hume see Sentinel Funds Mngmt Ltd

Allied Dunbar Unit Trusts PLC (a)(g)
Allied Dunbar Centre, Swindon, SN1 1EL (0793) 610366 & 28291

Brown Shipley & Co Ltd (a)(g)
9-17 Perrymount Rd, Haywards Hth 0444 458144

Brycourt Unit Trust Mngmt Ltd(a)(c)(d)
Hesketh Hse, Portman Sq, W1H 0JR 01-935 6382

Buckmaster Management Co Ltd (a) (c)
The Stock Exchange, London EC2P 2JT 01-588 2868

CS Fund Managers Limited
125 High Holborn, London WC1V 6PY 01-242 1148

Canada Life Unit Trust Mngrs. Ltd
2-6 High St, Potters Bar, Herts P Bar 51122

Cannon Fund Managers Ltd (z)
1 Olympic Way, Wembley, HA9 0NB 01-902 8876

Capel (James) Mngt. Ltd
100 Old Broad St, EC2N 1BQ 01-621 0011

Prices on February 26. Next dealing March 5.

Cater Allen Unit Tst Managers
3 King William St, EC4N 7AU 01-623 6314

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE — Dlg 01 236 3885

International Growth	124 1	137 8	+2 6	0 90
Income & Growth	51 9	51 4	+0 6	3 90
Special Situations	72 4	77 5	+1 3	4 40
American Growth	33 0	35 3	+0 8	0 73
Japan Growth	44 6	47 8	+1 1	0 00
European Growth	51 2	57 0	+1 4	2 30
UK Growth	49 7	53 5		0 00
Pacific Growth	36 7	39 3	+0 3	0 10
High Income	30 0	32 1	+0 1	8 40
Practical Income Units	47 9	51 0	+0 4	2 10
Practical Accum. Units	86 2	91 8	+0 7	2 30

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB — 01-405 8441

Pearl Growth Fd.	81 9	87 1	+0 5	2 62
Accum Units	121 0	128 7	+0 7	2 62
Pearl Inc.	109 0	116 0	+0 1	4 30
Pearl Unit Tst	115 8	123 7	+0 1	3 39
(Accum. Units)	198 2	210 9	+0 3	3 39
Pearl Intl Equity	113 1	120 3	+2 1	1 66
(Accum Units)	113 1	120 2	+2 1	1 66

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames — 0491 576868

International Growth	242 3	260 4	1 30
Income	175 0	187 4	5 76
Worldwide Recovery	137 2	147 3	1 94
American Growth	66 5	71 4	1 02
Intl. Emerging Co.	72 0	78 2	0.67
Far East Growth Fd	58 7	61 0	1 10
European Growth Fd	51 3	55 1	2 0

Prolific Unit Trusts
222 Bishopsgate, London EC2 — 01-247 7544/7

Prolific American Inc	54 6	58 1	+0 8	4 66
Prolific Far East	131 8	141 7	+3 6	0 24
Prolific Extra Inc	76 9	81 9	-0 3	5 13
Prolific C'vert & Gilt	88 8	94 2	+0 2	6 32
Prolific High Int	161 7	171 9		4 37
Prolific Intl.	99 6	107 1	+1 2	1 32
Prolific N. Amer.	136 9	147 2	+2 6	2 00
Prolific Spec. Sits	180 7	191 6	-0 3	1 23
Prolific Technology	113 8	122 4	+1 0	0.50

Providence Capitol Fd. Mgrs. Ltd
10 Uxbridge Road, London W12 8PG — 01-749 9111

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh — 031-226 3271

American Fund	209 8	223 5	2 27
(Accum Units)	235 6	250 9	1 27
(Withdrawal Units)	151 4	161 2	2 27
Australian Fund	106 0	115 9	1 00
(Accum Units)	110 0	117 2	1 00
British Fund	522 7	556 1	4 32
(Accum Units)	702 3	747 9	4 32
European Fund	241 2	251 3	0 93
(Accum. Units)	254 0	270 9	0 93
Japan Fund	239 9	255 5	0 40
(Accum Units)	240 6	256 3	0 40
Savers PPP	146 6	154 4	

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham — 0403 56293

Equity Tst	363 3	386 4	-1 0	2 37
North America	55 8	59 3	+1 5	1 63
Far East	61 6	65 5	+1 9	0.99

Sun Life Trust Mgmt. Ltd
107 Cheapside, London EC2V 6DU — 01-606 6010

American Growth Acc.	29 5	31 4	+0 7	1 4
American Income Acc.	29 2	31 1	+0 7	4 0
American Income Inc.	28 8	30 7	+0 7	4 1
European Growth Acc.	44 4	47 4	+1 1	1 8
Far East Growth Acc	33 0	35 1	+1 3	0 1
Int. Growth Acc.	30 5	32 4	+0 9	0 8
Japan Growth Acc.	41 4	44 0	+0 6	0 3
UK Growth Acc	32 9	35 0	-0 1	2 1
UK Income Acc.	29 1	30 9		4 0
UK Income Inc.	28 8	30 2		4 1
Managed Growth Acc	34 0	37 0	+0 6	2 0
Managed High Yield Inc	40 7	43 3	-0 1	7 0
Managed Income Inc.	30 3	32 2	-0 4	3 9

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks — 0732 450161

Equity Dist.*	256 2	271 6	+15 2	3 61
Equity Acc.*	308 3	326 2	+18 3	3 61
Fixed Int. Dist †	119 5	123 8	+2 3	10 92
Fixed Int. Acc †	175 3	181 6	+1 3	10 92

*Prices on Mar 3. Next dealing Mar 12
†Prices on Mar 3. Next dealing March 5

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188 — Dealings to 0264 63432-3

TSB American	112 3	119 5	+2 8	0 93
Do. Accum	116 9	124 4	+2 9	0 93

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

Warburg Investment Management Jersey Ltd
39-41 Broad St, St Helier, Jersey, CI — 0534 74715

Merc. Com Mkt Feb 28	£47 74	48 94		1 19
Merc. 7 Metals Feb 28	£29 93	30 60	-0.21	1 99
Merc. Sel. Mkt Feb 28	$32 27	31 06	+0 14	0 79
Metals Trust Feb 20	£11 52	11 80		..
Energy Int. NAV Feb 28	$56 05		+0 03	0 36
Merc. Eurobond Feb 26	$20.29	20.45	..	7 80

Mercury Far Eastern Trust Ltd

Japan Fund Feb 21	$30 90	32 45	..	1 08
Pacific Fund Feb 21	$25.87	27 18		1 43

Mercury Money Market Trust Ltd

1 Managed	9 70	10 23		—
US$ Managed	21 04	22.15	...	—
1 Sterling	22 86		—	—
US$	37 16		—	-
D Mark	83 95		...	
Yen	8 559		....	—
Dutch Guilder	113.75		..	—
Swiss Franc	80 49			-

Mercury Selected Trust

Global Fund	$27 86	29.81	--	—
European Fund	$11 44	12.21	..	—
Japan Fund	$11 85	12.68	.	—
North American Fund	$10 93	11.62	.	—
United Kingdom Fund	10.50	11.18	..	—

Warburg Inv Mngmt (Isle of Man) Ltd
1 Thomas Street, Douglas, Isle of Man — 0624 74856

Merc IoM Fund	71 5	76.1	-0.3	6 8
Merc Int Bond	47 4	50.5	+0 9	7.2

Wardley Fund Managers (Jersey) Ltd
H K Bk. Bldg Greenvile St, St Helier — 0534 71460

Wardley Gilt Fund	102.0	106.0	..	9 91

Wardley Investment Services Ltd
4th Floor, Hutchison House, Hong Kong

Wardley Trust	$7.70	8.28	—	1 04
Wardley Nikko As. Fd	$33 40	35.61		2.32
Wardley Bond Trust	$13.25	14.00		5.36
Wardley Japan Fund	$48.35	51 27	.	0 04
Wardley Pro Cap Tst	$14 16	14.90	...	2 55

WestAven Secs. (Guernsey) Ltd
Borough Hse, St Peter Port, Guernsey. — 0481 27963

Gilt & Option Fd	£1 15	1.21	..	5 00
US $ Option	$1 04	1 10	-	—
High Income	0.85	0 90	..	14 80
International Growth	£0.506	0.536	-	2.00
Japan Fund	£0 507	0.517	..	0 10

World Bond Fund
Managers: PO Box 190, St Helier, Jersey — 0534 74715
World Bond Fund NAV $12.6427 | | | — |

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV $13 96 | | -0 03 | —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd $16.12 | | +0 42 | —
Inv Adv M & G Inv Mngt, Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$14 37	+0.58	—
Dynamic Gwth Fd	$11 48	+0.29	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey — 0481 26268
Zero Bond Fund $11.06 | 11 74 | | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund — 77 London Wall, London EC2N 1BB — 01-588 1815				
Deposit	12.20		-0.05	3-Mth
The Money Market Trust — 63 Qn Victoria St, EC4N 4ST — 01-236 0952				
Call Fnd	12 59	9 43	13.83	6mth
7-day Fnd	12 55	9 38	13 79	6mth
Oppenheimer Money Management Ltd — 66 Cannon St, EC4N 6AE. — 01-236 1425				
Call Fnd	12 44	9 30	13 60	6-Mth
7 day Fund	12 46	4 31	13.61	6-Mth
Dollar	6.01	..	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc — 22 Charlotte Sq, Edinburgh EH2 4DF — 031-225 8484				
Full Service Chq Acc	11.50	8.50	12 53	Qtr
Aitken Hume — 30 City Road, EC1V 2AY. — 01-638 6070				
Treasury Acc	12 00	8 97	13.26	Qtr
Mth. Int Chq.	12 00	8 97	13.30	Mth
Allied Arab Bank Ltd — 97-101 Cannon St, London, EC4N 5AD — 01-283 9111				
HIBCA	12 60	9 42	14.05	mth
Bank of Scotland — 38 Threadneedle St, EC2P 2EH. — 01-628 8060				
Money Mkt Cheque Acc.	11 70	8.74	13.00	Mth
Barclays Prime Account — PO Box 125, Northampton — 0604 252891				
High Int. Cheque	12.00	8.875	13.12	Qtr
Britannia Investment Services Ltd. — 74-78 Finsbury Pavement, EC2A 1JD. — 01-588 2777				
Cater Allen	12.00	8.97	13.3544	Mth
Charterhouse Japhet plc — 1 Paternoster Row, EC4M 7DH. — 01-248 3999				
Sterling	12.25	9.16	13 64	Mth
U.S Dollar	7.25	7.25	7.50	Mth
German Marks	4.25	4.25	4 33	Mth
Swiss Francs	1 50	1.50	1 51	Mth
Japanese Yen	5.00	5.00	3 12	Mth
Citibank Savings — St Martins Hse, Hammersmith Grove — 01-741 4941				
Money Market Plus	—	9 34	13 43	Mth
Co-operative Bank Cheque & Save — 78-80 Cornhill EC3 01-626 6543				
£500-£2,500	9.50	7 10	10 41	Qtr
£2,500 +	12.06	9.02	13.33	Qtr
Darlington & Co Ltd — Darlington, Totnes, Devon TQ9 6JE — 0803 862271				
Money Mkt Acc	12 00	8.97	13.24	Qtr
Edward Manson & Co Ltd — 9 Henrietta Place W1M 9AG — 01-631 3313				
Cheque Deposit Acc	12.50	9.34	13.93	Mth
Henderson/Bank of Scotland — 38 Threadneedle St EC2P 2EH — 01-628 8060				
Money Mkt. Cheque Acc.	11.70	8.74	13.00	Mth
Legal & General (Money Mngrs) Ltd — 355 Euston Road, NW1 3AG — 01-388 3211				
High Int Dep Acc	12.04	9.00	13.14	6-mth
Lloyds Bank PLC — 71 Lombard St, London EC3P 3BS — 01-626 1500				
High Int Cheque Account	11 75	4.00	13.30	Qtr
Lombard North Central PLC — 17 Bruton St, W1A 3DH — 01-409 3434				
14-Day Notice	12.500	9.344	13.349	—
M & G/Kleinwort Benson — 91-99 New London Rd, Chelmsford. — 0245 51651				
H I C A	12.00	8.97	13.37	Daily
Midland Bank plc — PO Box 2, Sheffield. — 0742 20999 Ext 8655				
High Int Chq Acc	11 71	8 75	12.92	Qtr
£10,000 +	12 04	9.00	13.30	Qtr
Oppenheimer Money Mgmt Ltd — 66 Cannon St, EC4N 6AC — 01-236 1425				
Money Mngt. Acc	11.875	8.88	13 11	3-Mth
Phillips & Drew Trust Ltd — 120 Moorgate, London EC2M 6XP — 01-628 9771				
High Int Chq Acc	12.375	9.25	13.68	Qtr
Provincial Trust — 30 Ashley Rd, Altrincham, Cheshire — 061-928 9011				
High Int Chq Acc	12 50	9.34	13.93	Mth
Royal Bank of Scotland plc — 24 Lombard St, London EC3V 9BA — 031-557 0201				
Premium Account	12.15	9 08	13 42	Qtr
Save & Prosper/Robert Fleming — 28 Western Rd, Romford RM1 3LB. — 0708 66966				
H I C A	11.70	8.75	13.06	Daily
Tyndall & Co — 29-33 Princess Victoria St, Bristol — 0272 732241				
Demand Acc	12 35	9 23	11.65	Qtr
Money Acc	12.04	9.00	13.29	Qtr
J. Henry Schroder Wagg & Co Ltd — Enterprise House, Portsmouth — 0705 827733				
Special Acc	11 50	8 60	12 79	Mth
Over £10,000	11 75	8.78	13.06	Mth
Western Trust & Savings Limited — The Moneycentre, Plymouth PL1 1SC — 0752 24141				
High Int Chq Acc	12.56	9 39	13 90	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers compounded annual rate. Int Cr: frequency interest credited

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase. xd ex dividend

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Metal Closures	14
BOC Grp.	27	Midland Bk.	35
BSR	8	NEI	10
BTR	33	Nat West Bk	55
Babcock	13	P & O Dfd	35
Barclays	33	Plessey	14
Beecham	30	Polly Peck	21
Blue Circle	50	Racal Elect.	15
Boots	24	RHM	12
Bowaters	30	Rank Org Ord	35
Brit Aerospace	32	Reed Intnl	60
Brit. Telecom	17	Sears	11
Brown (J.)	3½	TI	35
Burton Ord	45	Tesco	24
Cadburys	13	Thorn EMI	34
Charter Cons	18	Trust Houses	12
Comm Union	23	Turner Newall	9½
Courtaulds	13	Unilever	90
Distillers	26	Vickers	35
FNFC	12	**Property**	
Gen Accident	55	Brit Land	14
Gen Electric	14	Land Secs.	26
Glaxo	100	MEPC	26
Grand Met	30	Peachey	24
GUS 'A'	70	Samuel Props	15
Guardian	60	**Oils**	
GKN	28	Brit. Oil & Min.	3½
Hanson Tst	18	Brit Petroleum	45
Hawker Sidd.	36	Burmah Oil	27
ICI	42	Charterhall	4
'Imps'	16	Premier	5
Jaguar	27	Shell	55
Ladbroke	27	Tricentrol	18
Legal & Gen	60	Ultramar	18
Lex Service	24	**Mines**	
Lloyds Bank	35	Cons Gold	40
Lucas Inds	38	Lonrho	12
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Collapse of cocoa talks deepens doubts about commodity pacts

BY WILLIAM DULLFORCE IN GENEVA

ANOTHER internstionel commodity agreement has bitten the dust with the collapse ef negetiatiens to renew the cocee pact. The cocoa talks were evershadowed from the start by tbe unresolved fourmenth crisie over the tin agreement. Now UN officials fear, the doublo failure may aour the climste for next menth's attempt te negetiate a new rubber agreement.

The cocoa pact was doomed from the moment last week that the Ivery Coast, the biggest producer, announced that it wauld not participate. On Friday two days later, after receiving confirmatian from President Felix Heupbenet Boigny that the Ivary Caast meant what it said, the European Community, the lergest consumer, delivered the coup de grâce.

An agreement witb binding economic provisions but withont the biggest producer was incanceivable, tho EEC said. It proposed that the UN cocoa conference be waund up with an administrativo agreement providing a farum for future co-operation between producers and consumers.

The difficulty with that proposal was that the current cocoa agreement stipulates that the buffer stock abould be liquidated, if the agreement lepses. The producing countries want at all costs to avoid the unloading of a 100,000-tonne buffer stock onto a merket wbere prices recently touched 27-manth lows.

Tbe consuming countries occept in principle the need fer an orderly market but yesterday expressed doubts sboot the ferm of an sgreement on the handling ef tbe huffer stack and of tha clese to $200m from collected levies in tho bank. They did not want another agreement with ongoing economic commitments but without the Ivory Coast.

This prohlem wss delaying efferts in Geneve yesterday to wind up the negetistiens. In effect s decisien on the buffer stack does nat need te be taken nntil the end ef September, when the current ceceo agreement expires, snd the twe sides will almest certainly agree today to decide et a later date within that period the technicalities ef dealing with tbe buffer stock.

Yesterday's srgument, hewover, illustrates the suspicious climate which bas characterised the latest cocoa negotiations. "I de nat want to believe that some censumers are aiming to get their hands now en tho buffer stock but what is delaying them from coming to a sensiblo arrangemont shout running it down?" Mr M. G. Mohammed, managing director af Ghana's Cocoa Marketing Company, aaid yosterday.

Earllor e voteran African diplomat commentod thst he had never befere taken part in trade negotlatians whore consuming countries bad sbewn se littlo willingness to roacb en agreement.

The talks have highligbted the fundamental confrontstion betwoen tho political demand of the prodncing countries fer a price-stabilising and "sufficiently remunerative" egreement snd the consumers' insistence that any accerd would heve to reflect economic reslities and allow fer market fluctuations.

The consumers concentrsted on getting included in a new agreement a mechanism for fairly frequent sutomatic adjustments of prices in line with currency fluctuations and buffer stock changes. The producers put most empbasis en obtaining a goed reference price—115 US cents e pound—snd limiting sdjustments te an annual review.

The consuming countries' line hed been clesrly signalled before the conference but the producers' negotiators appsrently srrived with instructiens whicb were toe inflexible te sllow for cempromiso over the prico revision mechanism or even a meeting of minds at the intellectual level.

The International Cocoo Organisation secretariat bad novertheless underlined the market reolitios at the start of the talks by tabling projectians indicating an excess of production over cocoa consumption far the next five years.

The cold realism now being applied by Western gevernments to commodity egreements designed to keep prices above world market levels oppears still not to havo been taken on heard by most cocoa producers.

The oxception is tho Ivory Coast. Mr Denis Bra Kanon, its agriculture minister, broko the deadlock with a bitterly phrased speech which reflected both disappointment at the consuming countries' political stance and recognitisn of reality.

The Ivory Coasts's realism was not appreciated by other producers when reports started to circulate that it had been selling beavily before it made its decisive intervention in the negotiatiens.

One bullish factor in favour of a new natural rubber agreement being echieved next manth is that rubber prices have been recovering over recent weeks. The cocoa talks were beld against a background of falling prices.

Minister for warmth urged

THE GOVERNMENT should appoint a minister for warmth to help olderly people and poor families overcome the dangers and discomfort they face during cold weather, an energy adviser said yesterday.

Mr David Green, energy adviser to the bausing committee of the Association of Metropolitan Antharities, called for the problem of Britain's cold homes "to be recognised for the national scandal it is."

Speaking in Liverpool at a national energy conference organised by the Merseysido Energy Advice Unit in association with Merseyside County Council.

EEC seeks butter sales boost

BY IVO DAWNAY IN BRUSSELS

A WELTER of new measures aimed at boosting the disposal of the EEC's 1m tonno butter surplus and heading off a further avslanche of sales into interventon stores are expected to he formally enacted by the European Commission this week.

The flurry of octivity in the dairy management division comes alongside alarming figures on poor open market sales and besvy dumping by dairy hoards into Community stores.

According to these, as much as 16 per cent of all Community buttor production in January was sold immediately to stores. Last month that figure leapt to 28 per cent. At the same time, sales an the open market have been near an all timo low.

The Commission is consequently expected to push ahead with its now "unpublished tender" system for export subsidies this week. Normally, tradors are expected to bid for subsidies openly. The new proposal, it is hoped, will allow more competitive tendering by traders in the highly competitive world market, hy means nf higher subsidies.

Officials have given assurances however that sale prices will not be allowed to drop below the minimum set under the General Agreement on Tariffs and Trade (Gatt) and will remain open to all traders.

The second emergency measure likely to begin this week is the opening of tenders for a major sale to the Soviet Union, and other intorested countries, far butter more than 18 months old. Over 400,000 tonnes of old butter are now in EEC stores.

The Commissinn has also acted to belt the flood of hutter into its intervention stores. This has been provoked by dairies fears that butter will suffer the penalty of a 4 per cent price cut (and Skimmed Milk Powder a balancing 3.5 per cent rise) as proposed under the Commission's 1986-87 prices package.

To halt the surge in sales to stores, the Commission has temporarily imposed a further 60 day delay on payments for hutter received.

Broken Hill miners face closure threat

By Kenneth Marston, Mining Editor

MANAGEMENT at Australia's big lead-zinc-silver complex at Broken Hill in New South Wales has warned that a major part of the mining and surface operations will be clesed down unless trade unions agree to lift restrictive work practices by next weekend.

The warning was given by the CRA group's AM & S Mining subsidiary which nperates the Zinc Corporation and New Broken Hill mines. These properties havs suffered severe losses in recent msnths against a background of low metal prices and high production costs.

If the close-downs take plsce they will mesn production losses per four-weekly period of around 8,000 tonnes of lead concentrates and 20,000 tonnes of zinc concentrates

Last year the Broken Hill mines produced 158,558 tonnes of lesd concentrate and 331,407 tsnnes of zinc concentrates.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes during week ending last Friday)

	(tonnes)
Aluminium	−1,925 to 195,350
Copper	−4,875 to 163,375
Lead	−675 to 63,500
Nickel	−84 to 6,552
Tin	+6,485 to 72,485
Zinc	+3,650 to 43,500
	(ounces)
Silver	−864,000 to 41,756,000

Sugar table FOB contract

FROM TODAY the London sugar futures prices quoted in the tables opposite have changed to the FOB (free-on-board) contract from the CIF (cost, insurance freight) contract, which is being wound down and will cease trading ot the end of September.

The London FOB contract, launched last August, now provides a full range of trading positions, following the expiry of the CIF March position last Friday.

Tbo exchange decided to switcb to an FOB contract in order to provida a more useful medium for hedging physical trading in the international market.

Australia pledges support for Tin Council rescue

BY STEFAN WAGSTYL

AUSTRALIA yesterday pledged its support for the rescue plan for the world tin market in a statement to the International Tin Council.

Australis, the fourth largest tin producer in the ITC, after Malaysia, Indonesia and Thailand, told the council that it would pay its 4.58 per cent share of the cash contribution all ITC members would make to tho rescue costs.

But the Australian move failed to prompt similar pledges from tho other major producers. Amang the tin-producing countries only Zaire has previously said that it will support ths rescue plan as long as other prodncers do.

Tho rescue involves tho creation nf a new company to take over the tin council's 85,000-tonne atockpile and sell it aff to meet its debts to metal brokers and banks.

Australian acceptance is regardless of whether the ITC members give a total af £115 or £120m and the payment will be made "up front" and without the need of bridging finance, the ITC said, reports Renter.

Farmland, a depreciating asset

FARMER'S VIEWPOINT

By John Cherrington

THERE IS no doubt that farmland prices are coming under pressure — but the severity of that pressure is largely a matter of gueswork. There are very few farms heing odvertised for salo — and most land agents, I understand, are advising their clients to hold off for the time being in the bope tbat conditions may improve. Even fewer farms are being auctioned, which is the most accurate reflection of price trends.

Tho best figures are those given in Farmland Market magazina, published by the Estates Gazetto and Farmers Weekly. These show that average prices for land sold with vacant possession by auction were at £1,919 per acre down by 13 per cent for the second belf of 1985, compared with tho January to June period. If sales by privato treaty are included the general impression is thot the averaga fall over tho year has been of the order of 15 per cent to 20 por cent.

Like all averages these figures conceal wide divergencies. There was, for instance, mnch more differentiation between land of grades 1 and 2 snd grades 3 and 4. Tho best silts were still making between £2,000 and £3,000 an acre, particularly where a farm bad been lotted into convenient parcels so that neighbouring farmers might be tempted to buy in competition.

In oddition farms within easy reach af tho M3 and M4 motorways held their values, not for farming hut for their amenity. It is almost impossible to calculate what a rich man might pay for a farm house, a fsrm cottage, or even a derelict country hause ar huilding which could be converted to a dwelling house anywhero within commuting, or even visiting distanco of London and other cities.

More and more peoplo it seems, wish to enjoy country living, and this often includes keeping a horse. Small paddocks of 1 ta 5 acrea are probably the most expensive non-building plots in Britain today. In many cases these amenity factors make up around balf the value of ths complote farm wben sold, which eccounts for the increasingly common practice af dividing up farms into lots when selling them.

This is a relatively recent development — a purchaser valuing any farm used to make littlo provision for what tho houses and huildings in the sale would bave been worth on their own. It is also a factor in the strategy of farmers forced ta sell some land to reduce an overdraft for instence. Surplus assets of this kind could be disposed of without deminishing the valuo of the land as a working unit. There is a problem here, however, in that such sales are subject to capital gains tax.

I believe that the present 15 per cent to 20 per cent fall from the peak prices of 1984 is only the beginning. But a further fall may apply more to the land itself as a proportion of the farm's value. When all is said and done it is the land whicb is the earning factor—and the prospects bere are bleak.

It is commonplace that there is an excess of production of all temperate foods ,not only in tho EEC, but in the world outsids as well. Few appreciate the increase in self sufficiency of food production in all countries, which has left tho Soviet Union as the buyer of last resort, for many commodities. World food prices are now about two-thirds of those ruling in the EEC, ond they are still falling. The EEC budget is slready overspent.

Something liko 12 per cent to 15 per cent of basic farm production in the EEC is only saved from absoluto redundancy by the support mechanisms of the Common Agricultural Policy. This has not come about because anyano has found more land but because world wide yields per acre have risen and are still rising.

It is a problem nf frightening proportions, particularly to farmers who are heavily indebted. Fsrtunately only a small proportion come into this category in Britsin as compared with many other countries. Farmers who are sitting on land of low historic cost will be able to watch the decline in its value from tho £2,000 an acre msrk with tho comforting thought that it will mean lower capital transfer taxes on death.

The fall in UK land prices has only been kept to tho 20 per cent estimated by the fact that there have been few forced sales. Owners contemplating selling know that prices are at their peak usually in Spring and summer. They have also been advised that oponnous fartunes hava been made on tha Stock Exchange and that profit taking could produce funds far farm purchases — this could certainly be a factor in maintaining prices in amenity areas. But would the new owners wish to become involved in octual farming in the difficult circumstances ruling at present?

The market far tenanted land is already very subdued. Several of the institutions whe were active investors in this field are believed to have their boldings on the market and are finding them almost unsaleable. Rent increases are na longer being accepted by tenants as they once were. Somo bave actually been reduced by arbitration. What ia redundant land worth to rent?

So far no mention has been made of the economic value of land to farm, mainly because the success of each holding depends tn a large extent on the abilities of the farmer. One man will founder where another would flourish. But the rent of 2nd and 3rd grade arahle land seems to be in the region of £50 an acre, so it could be used as an example. Capitalised on the same basis nf the present gilt return of 10 per cent this would indicate a value before expenses of £500 an acre. This is for o farmer using his own money, however. Should he have to borrow at present rates of 14 per cent this would mean a capital value of £350 an acre to be able to service the loan.

But most people buying farms get so starry-eyed at the prospect that they seem ts cast all cares aside and, fortunately for landawners, being forced to sell, there are still plenty of wealthy individuals about who will probably keep prices for the hest of land rather higher than that.

LONDON MARKETS

CHART-INSPIRED technical selling returned to the coffee futures market yesterday, wiping ont last week's gains. The May position, which rose £111.50 last week, ended the day £115.50 down at £2,522.50 a tenne after slipping to £2,491 at one stage. Meanwhile the cocoa market continued last week's late recovery with the May position ending £11 higher at £1,556.50 a tonne. The rise was attributed to further technical short-covering following the recent heavy fall. The collapse of the Geneva talks on a new International Cocoa Agreement, anticipation of which was an important influence in the decline, has already heen largely discounted, dealers said. World sugar prices continued to firm up in response to a recent wave of consumer buying interest. In the morning the London daily raws price was fixed $10 higher at $156 a tanne, the highest level since October 1983. On the London futures market nearby positions added around $10 to Friday's $8 gains.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	791-5	+0.5	—
3 months	817-8	+2.25	825/815

Official closing (am): Cash 789.5-90 (780.5-1), three months 815.5-6 (805.5-6), settlement 790 (781). Final Kerb close: 815-15.5. Turnover: 51,250 tonnes.

COPPER

Higher grade	Unoffic'l close	+ or −	High/low
Cash	982.5	−8.5	985/988
3 months	1005-.5	−4.25	1012/1005

Official closing (am): Cash 988-.5 (973-4), three months 1,008-.5 (994.5-5), settlement 988.5 (974). Final Kerb close: 1,003-4.

Cathodes			
Cash	965-8	−11	967/967
3 months	995-8	−6	—

Official closing (am): Cash 976.5-7 (968-70), three months 1,006.5-7 (994-5), settlement 977 (970). Turnover: 28,300 tonnes. US Producer prices 67-72 cents a pound.

LEAD

	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	254.25-.75	−5	257.5/258.5
3 months	264-.5	−2	269/264

Official closing (am): Cash 256.5-7 (257.5-8), three months 266-.5 (266-.25), settlement 257 (258). Final Kerb close: 264-65. Turnover: 4,825 tonnes. US Spot: 17.75-20 cents a pound.

NICKEL

	Unofficial close(p.m.) £ per month	+ or −	High/low
Cash	2840-5	+12.5	2840/2848
3 months	2906-10	+15	2920/2905

Official closing (am): Cash 2,835-40 (2,825-30), three months 2,910-11 (2,895-95), settlement 2,840 (2,830). Final Kerb close: 2,907-15. Turnover: 538 tonnes.

TIN

Kuala Lumpur Tin Market—Close: 20.65 Ringgit per kg, down 0.35 Ringgit.

ZINC

High grade	Unofficial close(p.m.) £ per month	+ or −	High/low
Cash	425-6	+5	—
3 months	438-8	+8.65	440/405

Official closing (am): Cash 426-.5 (420-.5), three months 438-40 (433-.5), settlement 426.5 (420.5). Final Kerb close: 440-41. Turnover: 6,000 tonnes. ... Prime Western: 30.5-35.75 cents a pound.

GOLD

... fell $1 an ounce from Friday's close in the London bullion market yesterday to finish at $335¾-$336¼. The metal opened at $339¾-$340¼ and traded between a high of $340-$340½ and a low of $334½-$335. The softer trend came as Friday's late rally failed to attract any follow through buying.

GOLD BULLION (fine ounce) Mar. 3

Close	$335¾-336¼	(£233¾-234¼)
Opening	$339¾-340¼	(£235¼-236¼)
M'n'g fix	$336.45	(£236.510)
Aft'n'n fix	$335.60	(£233.542)

GOLD AND PLATINUM COINS

Kr'g'r'nd.	$337-337½	(£234¼-234½)
½ Krug.	$178½-179	(£124-124½)
¼ Krug.	$91¼-91¾	(£63½-63¾)
1/10 Krug.	$37¼-37¾	(£20.90½)
Mapleleaf	$346½-347	(£241-241½)
Angel	$346-347	(£236¾-241½)
1/10 Angel	$34-36	(£23¾-27)
New Sov.	$81¼-81¾	(£56½-56¾)
½ New Sov	$48½-48¾	(£33½-34)
Old Sov.	$86-81½	(£56¾-50¾)
$20 Eagle	$440-480	(£306¾-335¾)
Noble Plat	$411½-416½	(£286-289½)

SILVER

Silver was fixed 7.05p an ounce higher for spot delivery in the London bullion market yesterday at 393.2p. US cent equivalents of the fixing levels were: spot 565c, down 1.7c; three-month 575.6c, down 1.4c; six-month 586.4c, down 1.5c; and 12-month 607.05c, down 2.65c. The metal opened at 394½-395½p (566-568c) and closed at 385½-387½p (554-556c).

SILVER per troy	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	393.20p	+7.05	384p	−1
3 months	405.00p	+7.85	396p	−1
6 months	416.65p	+8.40	—	—
12 months	437.85p	+8.55	—	—

LME—Turnover: 49 (13) lots of 10,000 ounces.

Three months high 405p, low 393p, final kerb 383-5p.

COTTON

LIVERPOOL—Spot and shipment sales for the week commencing February 24 amounted to 2,008 tonnes against 715 tonnes in the previous week. Improved demand brought purchases in Egyptian, Peruvian, Russian, Pakistani, Israeli and American types.

RUBBER

PHYSICALS—The London market opened unchanged, attracted no interest throughout the day and closed dull, reports Lewis and Peat. Closing prices (buyers): spot 63.00p (same): April 63.00p (63.25p): May 63.50p (63.75p). The Kuala Lumpur April fob prices (Malaysia/Singapore cents) per kg: RSS No 1 was 207.0 (203.5) and for SMR 20 204.0 (same).

INDICES

FINANCIAL TIMES

Mar. 3	Feb. 28	M'th ago	Year ago
—*	—*	—*	295.73

(Base: July 1 1952=100)

REUTERS

Mar. 3	Feb. 28	M'th ago	Year ago
1827.3	1808.2	1848.5	2020.7

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Feb. 28	Feb. 27	Month ago	Year ago
Spot	127.55	127.92	—	117.55
Fut.	132.04	132.67	—	120.37

(Base: December 31 1931=100)
* Not available due to suspension of the LME

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Mar. 3 1986	+ or −	Month ago
METALS			
Aluminium			—
Free Market	$1230/250	−5	$1160/180
Copper			
Cash h Grade	£982.5	−8.5	£1002.5
3 mths	£1005.25	−4.25	£1253.25
Gold Troy oz	$336	−1	$347.5
Lead Cash	£254.5	−5	£257.75
3 mths	£264.25	−2	£270.5
Nickel			
Free Mkt	185/205c	−5	178/196c
Palladium oz	$107.25	+0.25	$163.20
Platinum oz	$398.60	+1.85	$366.50
Quicksilver†	$230/240	—	$210/238
Silver troy oz	393.20p	+7.05	434.50p
3 months	405.00p	+7.85	447.65p
Tin cash	‡		‡
3 months	‡		‡
Tungsten	$66.32	—	$63.71
Wolfram 22.0lb	$58/63	—	$56/63
Zinc	£425.0	+8	£450
3 months	£438.5	+2.25	£461.5
producers	$650/670	—	$660/700
OILS			
Coconut (Phil)	$270z	−25	$340
Palm Malayan	$235x	—	$315
SEEDS			
Copra Phil	$180z	—	$230
Soyabean (U.S.)	$225.5	+0.75	$223.2
GRAINS			
Barley Fut. May	£110.80	−0.55	£117.65
Maize	£146.50	—	£142.00
Wheat Fut. May	£118.50	−0.10	£120.35
No. 2 Hard Wint.	‡	—	‡
OTHERS			
Cocoa Ft. May	£1556.5	+11	£1741.5
Coffee Ft. May	£2522.5	−115.5	£2272.5
Cotton A Index	53.95c	—	54.20c
Gas Oil Apr.	$133.75	−13.5	$164.5
Rubber (kilo)	63p	—	61p
Sugar (raw)	$156z	+10	$143.5
Wooltops 64s	415p kilo	—	425p kilo

‡ Unquoted. † Per 75-lb flask. c Cents per pound. w Feb-March. z March-April. x April.

MEAT

Pigmeat eased in nearby months due to light profit-taking but distant months remained steady due to continued fresh buying interest. Beef prices closed on a steadier tone with all volume being crossed, reports Eastern Capital CCST.

Month	PIGMEAT Y'day close	+ or −	BEEF Y'day close	+ or −
	p. per kilo (deadweight)			
Mar	—	—	—	—
April	104.90	—	189.40	−0.10
May	103.00	−0.50	187.50	−1.50
June	102.60	−0.40	186.00	−3.00
July	121.00	−5.20	186.00	−1.00
Aug	101.33	−0.20	153.00	−1.00

Pigmeat sales: 28 (14) lots of 50 carcases, 3,250 kg.
Beef sales: 25 (0) lots of 20 sides.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 97.02p per kg lw (−0.01). GB—Sheep 211.43p per kg est dcw (+12.30). GB—Pigs 77.58p per kg lw (+1.20).

COCOA

Futures opened £15 steadier following a firmer New York close and on weaker sterling and these higher values were held through to the final call. Physicals traded quietly on the second-hand market with producers and consumers both withdrawn, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
March	1561-1568	+13.0	1569-1560
May	1556-1651	+11.0	1565-1535
July	1585-1586	+5.0	1594-1565
Sept.	1614-1616	+10.0	1620-1611
Dec.	1638-1640	+18.5	1645-1636
March	1666-1667	+14.0	1671-1660
May	1685-1686	+16.0	1690-1685

Sales: 1,500 (5,800) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for March 3: 97.53 (97.43) five-day average for March 4: 99.16 (100.02).

COFFEE

Heavy liquidation put the market under pressure all day with mixed commission and trade house selling. Support from industry was not evident and nervous longs started to waver. Losses at one point stood at £145 from the previous close. New York's opening followed suit and London showed no signs of recovery, reports Drexel Burnham Lambert.

COFFEE	Yesterday's Close	+ or −	Business Done
March	2445-55	−121.5	2535-2450
May	2520-26	−115.5	2608-2491
July	2595-98	−110.0	2665-2585
Sept.	2650-60	−107.5	2728-2655
Nov.	2718-22	−97.5	2775-2685
Jan.	2740-60	−105.0	2820-2750
Mar.	2760-810	−66.0	—

Sales: 8,134 (6,313) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for February 28: Comp. daily 1979 (207.28 (209.96): 15-day average 199.19 (197.85).

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
April	838/839	843/835	852/854
July	746/747	750/747	755/762
Oct.	850/860	856/852	851/856
Jan.	860/865	865/860	860/930
April	940/943	940	930/955
July	760/812	—	790/886
Oct.	890/908	—	891/910
Jan.	910/960	—	880/940
BFI	734	—	757

Turnover: 95.

	Close	High/Low	Prev.
Tankers			
Mar.	516/830	565/836.5	835/840
April	790/795	800/794	760/790
May	785/812	—	770/795
June	760/800	—	775/700
Sept.	900/980	—	905/960
Dec.	965/995	—	940/960
BTI	871	—	868

Turnover: 47.

SOYABEAN MEAL

Weaker currency and stronger cash markets lifted prices on the opening by £1.50. Gains of £1.00 due to good two-way commercial trade and professional buying were cancelled out by heavy local selling and weaker US markets, reports Muirpace.

	Yesterday close £ per tonne	+ or −	Business Done
Apr.	135.8-135.9	+1.30	135.5-135.0
June	137.5-132.5	+1.15	133.1-133.0
August	129.5-130.5	+1.55	131.5
October	130.5-133.5	+1.15	132.0-131.0
Dec.	134.5-134.0	+1.35	—
Feb.	135.5-139.0	+1.80	—
Apr.	144.5-139.0	+1.85	—

Sales: 747 (827) lots of 20 tonnes.

US MARKETS

PRECIOUS METALS were under pressure as deflationary prospects hardened in sympathy with weak energy prices, reports Heinold Commodities. Copper and aluminium were weak on a lack of fresh cash interest. Sugar traded limit-up on short-covering and fresh huying on constructive technical indications along with good cash enquiry. Cocoa remained steady on light arbitrage buying and on oversold conditions. Sharp losses were registered in coffee on poor roaster interest. Cotton weakened reflecting good cash movement. Soyabeans traded in a mixed fashion reflecting a lack of fresh news. Maize firmed on short-covering from an oversold condition. Oil markets declined sharply once again in reaction to reports of price cutting and production increases by Opec members.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
March	54.65	54.70	54.50	54.95
April	56.05	—	—	55.16
May	55.45	55.70	55.30	58.75
July	56.05	56.25	56.10	58.40
Sept	56.65	—	—	57.00
Dec	57.55	—	—	57.90
Jan	57.85	—	—	58.20
March	58.45	—	—	58.80
May	59.05	—	—	59.40
July	58.65	—	—	60.00

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	2012	2016	1985	2000
May	2050	2054	2023	2040
July	2081	2082	2064	2080
Sept	2118	2113	2097	2116
Dec	2135	2140	2125	2136
March	2160	2150	2155	2165
May	2186	—	—	2171

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
March	233.44	238.50	233.16	243.63
May	236.78	241.00	236.30	246.98
July	247.43	247.43	247.43	251.43
Sept	251.00	251.00	251.00	255.00
Dec	252.97	252.67	252.97	256.97
March	252.50	—	—	256.50
May	253.50	—	—	257.50
July	255.75	—	—	259.75

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
March	63.25	64.16	63.05	63.85
April	63.70	—	—	63.70
May	64.10	64.45	63.85	64.80
July	64.55	65.00	54.40	55.25
Sept	58.00	65.25	64.85	65.55
Dec	65.55	65.85	65.30	58.05
Jan	65.75	66.50	58.50	68.20
March	66.10	66.30	66.00	65.55
May	66.45	66.45	66.35	66.90
July	66.80	—	—	67.25

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	62.37	62.80	62.40	63.10
May	63.16	63.40	63.01	63.46
July	63.68	63.88	63.62	63.98
Oct	44.52	44.76	44.50	44.68
Dec	44.56	44.74	44.43	44.61
March	45.52	46.58	46.56	46.53
May	46.27	6.40	46.40	46.36
July	46.62	—	—	46.86

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
April	12.28	13.00	12.15	13.26
May	12.67	13.30	12.59	13.58
June	13.00	13.55	12.85	13.85
July	13.25	13.80	13.04	14.04
Aug	13.45	14.00	13.32	14.32
Sept	13.75	14.40	13.60	14.60
Oct	14.25	14.40	14.00	14.88
Nov	14.26	14.69	14.26	15.16
Dec	14.55	15.12	14.6x	16.44
Jan	14.80	15.25	14.80	15.49

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
March	338.5	336.2	335.5	339.5
April	340.5	341.0	336.2	341.0
May	342.3	—	—	342.1
June	344.2	344.5	340.0	344.7
August	348.0	348.8	344.0	348.5
October	351.8	353.0	348.0	352.4
Dec	355.9	356.7	352.0	356.5
Feb	360.0	357.8	357.6	360.8
April	363.8	360.0	360.0	364.7
June	367.8	368.5	368.6	368.6
Aug	372.0	372.0	372.0	373.1
Oct	376.4	—	—	377.8
Dec	381.0	381.0	379.5	382.3

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
April	42.50	44.50	42.40	45.66
May	39.42	40.30	39.42	41.42
June	38.33	39.10	38.33	40.33
July	37.90	38.50	37.90	39.74
August	38.85	39.50	38.35	40.35
Sept	38.40	40.25	39.25	41.25
Oct	41.70	41.70	41.70	42.15
Nov	42.25	42.25	42.20	43.00
Dec	42.40	43.50	42.50	43.75
Jan	43.25	43.25	43.25	44.50

PLATINUM 50 troy oz, $/troy oz

March	398.7	398.0	391.0	400.6
April	401.0	402.8	391.7	402.3
July	402.5	404.0	393.5	404.3
Oct	403.5	405.6	395.0	406.0
Jan	405.2	403.2	399.3	407.7
April	408.9	400.0	400.0	408.4

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
March	559.6	565.0	549.5	563.5
April	563.3	555.5	555.6	566.7
May	567.6	572.5	553.0	576.5
July	574.3	579.5	562.0	576.6
Sept	581.9	588.0	568.0	585.8
Dec	592.7	598.5	580.0	596.8
Jan	596.5	—	—	600.5
March	603.9	609.5	591.0	608.2
May	611.5	611.6	599.0	616.1
July	619.2	627.0	608.0	624.1

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
May	6.89	7.00	6.30	6.30
July	7.05	7.22	6.55	6.58
Sept	7.16	7.10	6.70	6.74
Oct	7.27	7.32	6.78	6.82
Jan	7.39	7.39	6.90	6.90
March	7.78	7.80	7.33	7.37
May	7.88	7.89	7.53	7.57
July	8.15	7.77	7.77	7.75

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
March	81.90	82.30	81.45	82.75
May	82.05	83.50	82.60	84.30
July	83.60	84.50	83.50	86.00
Sept	83.05	83.50	82.50	84.15
Nov	83.95	84.10	82.50	85.15
Jan	85.00	85.50	85.12	86.30
March	86.15	87.50	86.50	87.50
May	86.30	86.50	86.50	87.80
July	86.70	—	—	88.20

CHICAGO

LIVE CATTLE 40,000 lb, Cents/lb

	Close	High	Low	Prev
April	60.27	60.85	60.00	61.37
June	59.47	59.95	59.20	60.32
August	57.72	57.95	57.20	58.12
Oct	56.55	56.90	56.27	56.92
Dec	58.25	58.60	58.00	58.52
Feb	58.50	58.55	58.50	58.80

LIVE HOGS 30,000 lb, Cents/lb

	Close	High	Low	Prev
April	38.32	38.45	37.45	38.07
June	43.02	43.20	42.05	42.80
July	43.40	43.45	42.30	42.50
August	41.87	42.20	41.15	41.62
Oct	38.92	39.00	38.30	38.65
Dec	40.65	40.95	39.80	40.20
Feb	40.70	40.95	40.00	40.75
April	37.30	37.50	37.20	37.60
June	39.70	38.70	—	39.52

MAIZE 5,000 bu min, cents/56 lb-bushel

	Close	High	Low	Prev
March	229.6	230.4	228.2	228.6
May	228.4	229.4	226.5	227.6
July	226.6	227.6	225.2	225.2
Sept	210.0	211.0	209.4	212.0
Dec	208.2	207.6	206.0	207.4
March	215.0	216.2	214.6	216.2
May	217.6	218.2	217.2	216.4

PORK BELLIES 38,000 lb, Cents/lb

	Close	High	Low	Prev
March	54.22	54.75	52.35	54.07
May	56.55	56.95	54.37	55.85
July	57.57	57.80	55.55	57.16
August	56.80	57.00	54.50	55.57
Feb	60.60	61.10	60.25	60.75
March	50.40	61.00	50.40	61.00

SOYABEANS 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
March	525.6	527.4	526.0	527.0
May	527.0	529.5	527.2	529.5
July	530.4	532.0	530.0	532.2
August	528.0	530.4	528.0	529.5
Sept	512.0	515.4	512.5	514.4
Nov	507.6	510.0	507.4	510.4
Jan	517.6	518.2	517.6	521.5
March	527.6	529.0	527.5	531.0
May	537.5	—	—	539.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
March	159.4	160.5	158.8	160.6
May	160.3	161.6	158.6	161.2
July	160.6	161.3	160.0	161.7
August	160.9	161.5	160.2	161.6
Sept	155.7	157.0	155.0	156.5
Oct	151.6	152.2	151.3	152.6
Dec	153.2	153.0	151.7	153.3
Jan	154.0	154.0	154.0	153.5
March	155.0	—	—	156.5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
March	18.78	16.95	16.63	18.75
May	17.08	17.20	16.96	17.08
July	17.38	17.50	17.30	17.34
August	17.50	17.85	17.45	17.50
Sept	17.50	17.60	17.50	17.52
Oct	17.51	17.60	17.50	17.50
Dec	17.83	18.00	17.75	17.80
Jan	17.96	18.00	17.92	17.95
March	16.32	—	—	18.33
May	16.38	—	—	18.56

WHEAT 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
March	339.6	340.0	335.6	337.6
May	296.4	296.4	285.2	286.2
July	258.6	259.6	254.2	254.6
Sept	261.2	261.2	257.4	257.0
Dec	273.0	273.0	268.0	268.4
March	275.6	—	—	272.4

SPOT PRICES—Chicago loose lard 13.00 (14.00) cents per pound. Handy and Harman silver bullion 550.5 (560.5) cents per troy ounce.

GRAINS

Old crop markets steadied on a firm country trend and an anticipated MCA charge before easing on erratic shipper and consumer selling. New crops found renewed hedge selling on wheat, while barley remained steady on shipper support, reports T. G. Roddick.

Mnth	WHEAT Yesterd'ys close	+ or −	BARLEY Yesterdys close	+ or −
Mar.	115.70	−0.25	113.80	+0.80
May	118.50	−0.10	116.60	+0.55
July	119.60	−0.20	—	—
Sept.	99.65	−2.20	98.00	+2.18
Nov.	102.70	−0.15	101.65	+0.15
Jan	106.20	−0.20	105.65	—

HGCA—Locational ex-farm spot prices. Feed barley: Eastern 112.30, E. Mids 114.10, N. East 115.40, Scotland 112.00. The UK monetary coefficient for the week beginning Monday March 10 (based on HGCA calculations using four days' exchange rates) is expected to change to 1.119.

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent April/May 123.75, June 122.50 transhipment east coast. US no 2 soft red winter Mar 121.75, June 96.75. EC first-half Mar 143. English feed fob Mar 116.50 seller, April 116.60 buyer, April/June 121.50-122.50 buyer/seller, July 123 seller, Sept 101.25/102.50, Oct 104.00-105.00 buyer/seller east coast. Maize: US no 3 yellow/French transhipment east coast first-half Mar 143.50 seller. Barley: English feed fob Mar 116.25, May 120.00 seller, July/Aug 98 first-half Aug 93.25, Sept 100.00 buyers. Rest unquoted.

Business done—Wheat: March 116.00-5.70, May 118.00-8.70, July 118.95-9.90, Sept 100.00-99.65, Nov 102.90-2.70, Jan 106.30 only. Sales: 242 lots of 100 tonnes. Barley: March 113.80-3.20, May 116.80-6.40, Sept 98.05-8.00, Nov 101.70-1.65, Jan 105.35-5.25. Sales: 142 lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $156.00 (£109.00), up $10.00 (up £9.50) a tonne for March-April delivery. White sugar $191.00, up $4.00.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne F.O.B.		
May	154.4-154.6	143.8-144.0	155.0-148.5
Aug	158.4-160.0	148.4-150.0	158.0-151.4
Oct	163.0-164.0	153.8-154.0	164.0-153.8
Dec	166.0-167.8	157.8-159.0	—
Mar	174.4-175.4	166.0-166.2	167.0-166.6
May	178.2-178.0	170.0-170.2	171.4-170.8

Sales: 2,595 lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £214.50 (£202.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for February 28: Daily price 5.77 (5.75); 15-day average 5.61 (5.60).

No 6 cif contract—May 174.8-175.0; Aug 180.0-181.0; Oct 140.0-184.5. Sales: 2,024 (963).

PARIS—(FFr per tonne): May 1270/1275, Aug 1310/1315, Oct 1345/1355, Dec 1381/1390, Mar 1435/1455, May 1485/1505.

POTATOES

A static physical market and forecasts of a break in the weather midweek led to a rapid sell off, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Apr	93.10	86.30	96.50-92.90
May	100.30	123.70	102.40-100.80
Nov	78.52	78.32	—
Feb	86.50	86.00	—
Apr	99.00	98.50	—

Sales: 1,084 (709) lots of 40 tonnes.
Earlies—July 81.00, −2.00; Aug 65.00, −6.00; Sept 65.00, −10.00. Sales: 6 (32) lots of 12 tonnes.

OIL

Crude oil trading was almost at a standstill. Bearish sentiment is making refiners delay purchases to the last possible moment. Only two trades were reported in forward Brent. Nymex WTI for April opened 46c down and traded 98c down at 1 pm EST. All product prices were down in very thin trade. Weak crude and futures combined with good availability to undermine values—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—March		
Arab Light	—	—
Arab Heavy	—	—
Dubai	10.80-12.70*	—
Brent Blend	15.80-16.10	−0.70
W.T.I. (1pm est)	12.15-12.25*	−1
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	158-166	−5
Gas Oil	158-172	−2.5
Heavy fuel oil	57-60	−2
Naphtha	119-121	−4

* April

Petroleum Argus estimates.

GAS OIL FUTURES

Month	Yesturd'ys Close $ US per tonne	+ or −	Business Done
Mar.	135.00	−8.25	175.00-35.00
April	133.75	−13.50	147.50-33.50
May	128.50	−12.00	139.50-28.50
June	127.50	−8.50	135.25-27.00
July	128.25	−7.75	155.00-28.05
Aug	129.75	−9.00	139.50-29.25
Sep	132.00	−10.50	152.00

Turnover: 4,860 (7,717) lots of 100 tonnes.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and sterling weaker

The dollar weakened in orderly and steady foreign exchange trading yesterday, after a stable performance in the Far East. The US currency finished in London below Y180 and DM 2.22; falling to its lowest closing level since December 1981 against the D-mark, and to the lowest since March 1983 against the French franc. The market was nervous of intervention by the Bank of Japan and German Bundesbank around these levels, and also suspected that the Japanese and German discount rates may be cut this week. The Bundesbank council meets on Thursday, but opinions were divided whether the German authorities would be willing to lead Japan with a rates cut.

Factors depressing the dollar remained the belief that the Administration in Washington would welcome a further orderly decline in the dollar's value, and recent poor US economic data, especially Friday's January trade deficit of $16.46bn.

The dollar fell to DM 2.2195 from DM 2.2305; FFr 6.8325 from FFr 6.8625; SFr 1.8775 from SFr 1.8875; and Y179.55 from Y180.45. On Bank of England figures the dollar's index fell to 117.6 from 117.8.

STERLING — Trading range against the dollar in 1985-86 is 1.4960 to 1.0525. February average 1.4297. Exchange rate index fell 0.7 to 72.5, compared with 82.0 six months ago.

Sterling staged a minor recovery in late trading, but finishing weaker on the day, losing ½ cent to close at $1.4415-1.4425. The pound touched a low of $1.4315, and fell to a low of DM 3.1825 against the D-mark, the lowest level ever, before closing at DM 3.20, compared with DM 3.2275. Depressed oil prices undermined confidence in sterling, with May delivery North Sea crude quoted at $12 a barrel. The pound also fell to FFr 9.8525 from FFr 9.93; SFr 2.7075 from SFr 2.7325; and Y259 from Y261.

D-MARK — Trading range against the dollar in 1985-86 is 3.4510 to 2.2195. February average 2.3310. Exchange rate index 135.7 against 125.4 six months ago.

The D-mark traded fairly steadily against the dollar in Frankfurt yesterday. There was no intervention by the German Bundesbank when the dollar was fixed at DM 2.2207, compared with DM 2.2185 on Friday. There were no new factors, but confidence in the dollar continued to ebb after last week's January US trade deficit of $16.46bn, and on speculation about possible discount rate cuts by Germany and Japan. Falling oil prices depressed sterling. It was fixed at a record low of DM 3.1890 in Frankfurt, compared with DM 3.2560 on Friday, as attention turned away from the quietly trading dollar, which closed at DM 2.2270, compared with DM 2.2185 previously.

JAPANESE YEN — Trading range against the dollar in 1985-86 is 263.15 to 179.25. February average 184.545. Exchange rate index 190.5 against 157.4 six months ago.

The yen showed little change in quiet Tokyo trading. The dollar closed at Y180, compared with Y180.45 on Friday, after touching a low of Y179.90. In spite of a bearish undertone dealers were reluctant to take out short positions against the dollar on fear of central bank intervention and speculation about possible cuts in interest rates in Japan and West Germany. The dollar was *generally expected* to remain around the Y180 level this week, and not threaten the record trading low of Y175.50.

£ IN NEW YORK

Close	Mar. 3	Prev. close
£ Spot	$1.4410-1.4420	$1.4420-1.4440
1 month	0.60-0.38pm	0.58-0.07pm
3 months	1.65-1.56pm	1.50-1.57pm
12 months	4.95-4.80pm	4.05-4.80pm

Forward premiums and discounts apply to the U.S. dollar.

FINANCIAL FUTURES

Prices recover

Prices recovered from the day's lows in most contracts in yesterday's London International Financial Futures Exchange. Sterling's weaker trend had depressed values in three-month sterling deposits and gilts but buyers appeared near the day's lows to push values firmer in the afternoon.

The June long gilt opened at 115-10 and was sold quite quickly down to a low of 114-18, squeezing a few long positions on the way. However it stabilised at the day's low, brushing aside a sell off in US Treasury bonds and moving back to 115-21 in good volume on sterling's small recovery and hopes that oil prices would be beneficial in the long term towards reducing inflation.

Short sterling moved in much the same way with three-month deposits for June delivery opening at 88.56 and easing on weaker sterling and high cash rates down to 88.47. Prospects of an early cut in clearing bank base rates were considered poor, bearing in mind sterling's reaction to lower oil prices. However with the pound finishing above the day's low, so some short covering developed and the price came back to finish at 88.58, still down from 88.66 on Friday however.

US Treasury bonds opened at 94-08 for June delivery and early buying saw values improve to 94-14 before encountering selling back to 94-06. This support level was held ahead of Chicago but as US markets opened, further selling broke market resistance and resulted in a very nervous and quick downward correction to 93-16. However this level proved to be too attractive to be ignored and renewed buying pushed the price up to the day's high of 92-46 at the close, up from 94-00 on Friday.

Euro-dollars were also firmer after easing initially to 92.39 from an opening level of 92.40. Having touched 92.42 it eased back once more to 92.39 before finishing at 92.45 up from 92.39 previously.

POUND SPOT—FORWARD AGAINST POUND

March 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4315-1.4430	1.4415-1.4425	0.63-0.60c pm	5.12	1.65-1.60 pm	4.51
Canada	2.0410-2.0585	2.0491-2.0549	0.03c pm-0.14d	−0.32	0.25-0.10 pm	0.34
Nethlnd.	0.60-3.62¾	3.61¼-3.62¼	2¼-2c pm	7.05	6-5½ pm	0.43
Belgium	65.22-65.65	65.55-65.65	13-7c pm	1.83	45-34 pm	2.44
Denmark	11.77-11.85¾	11.83½-11.84½	5½-4¾ore pm	5.07	13½-12½ pm	4.35
Ireland	1.0524-1.0607	1.0575-1.0585	—	—	—	—
W. Ger.	0.18¾-3.20½	3.19½-3.20½	2½-2¼pf pm	0.91	6½-6½ pm	7.81
Portugal	211.02-214.86	219.27-214.86	230-585c dis	−23.12	545-1465 d	−19.97
Spain	201.33-202.24	201.96-202.24	30c pm-10dis	−0.59	25-140 dis	−1.63
Italy	2168¾-2191½	2177-2178	12-18lire dis	−0.27	30-38 dis	−6.25
Norway	10.04½-10.13	10.10¾-10.11½	½-¾ore pm	−0.62	1⅝-2¾ dis	−0.91
France	0.80½-9.85½	9.84½-9.85½	1¼-3½c dis	−3.20	4½-8½ dis	−2.26
Sweden	10.30½-10.37¼	10.35¼-10.36¼	1½-¾ore pm	1.23	3½-2½ pm	1.21
Japan	258½-259½	258½-259½	1½-1¼y pm	6.95	4½-4 pm	0.47
Austria	22.39-22.54	22.01-22.54	13½-11¾gro pm	0.66	33-28½ pm	0.49
Switz.	2.69-2.71½	2.70¼-2.71¼	2¼-2c pm	9.42	5½-5½ pm	8.40

Belgian rate is for convertible francs. Financial franc 66.05-66.15. *Six-month forward dollar 3.00-2.95c pm. 12-month 5.10-4.95c pm.*

DOLLAR SPOT—FORWARD AGAINST DOLLAR

March 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4315-1.4430	1.4415-1.4425	0.63-0.60c pm	5.12	1.65-1.60 pm	4.51
Ireland†	1.3588-1.3626	1.3610-1.3618	—	—	—	—
Canada	1.4220-1.4320	1.4230-1.4250	0.67-0.70c dis	−5.74	1.51-1.56dis	−4.29
Nethlnd.	2.5000-2.5215	2.5085-2.5095	0.44-0.41c pm	2.03	1.22-1.19 pm	2.49
Belgium	45.40-45.65	45.45-45.55	11-14c dis	−0.30	21-27 dis	−2.11
Denmark	0.19-8.24½	8.21-8.21½	⅞ ore pm-⅛ dis	−0.18	⅞ pm-⅛ dis	−0.12
W. Ger.	2.2170-2.2335	2.2190-2.2200	0.67-0.62pf pm	2.49	1.87-1.82 pm	3.33
Portugal	146½-148	147½-148	250-500c dis	−32.09	600-1200d	−25.67
Spain	140.10-140.65	140.40-140.50	50-80c dis	−5.56	175-225 dis	−5.70
Italy	1509½-1615¼	1509½-1510½	16-17lire dis	−13.11	40-42 dis	−10.86
Norway	6.98¼-7.03	7.01-7.01½	3½-3½ore dis	5.88	8½-9¼ dis	−5.43
France	0.82-6.85¼	6.83-6.83½	4½-5c dis	−2.13	11-12 dis	−0.74
Sweden	7.16½-7.21¾	7.18-7.18½	2¼-2½ore dis	−3.87	6½-8½ dis	−3.52
Japan	179.40-180.25	179.50-179.60	0.26-0.23y pm	1.63	0.92-0.88 pm	2.00
Austria	15.58¾-15.67¼	15.61-15.63	3-1gro pm	1.54	6-3 pm	1.08
Switz.	1.8715-1.8830	1.8770-1.8780	0.71-0.66c pm	4.39	1.91-1.86 pm	4.02

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 45.80-45.90.

EXCHANGE CROSS RATES

Mar.	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.442	3.200	259.0	9.853	2.708	3.018	0178.	2.056	66.80
$	0.693	1.	2.220	179.0	6.833	1.878	2.509	1510.	1.463	46.50
DM	0.313	0.451	1.	80.94	3.079	0.846	1.130	680.0	0.641	20.50
YEN	3.861	5.568	12.36	1000.	38.04	10.46	15.07	8047.	7.923	253.0
F Fr.	1.015	1.464	3.248	262.9	10.	2.748	3.072	2210.	0.083	62.58
S Fr.	0.360	0.533	1.180	60.66	3.630	1.	1.336	804.2	0.756	24.03
H Fl.	0.276	0.399	0.883	71.60	6.724	0.748	1.	601.9	0.567	18.13
Lira	0.459	0.662	1.470	118.8	4.065	1.243	1.661	1000.	0.942	30.13
C $	0.487	0.703	1.562	126.2	4.801	1.310	1.703	1061.	1.	31.07
B Fr.	1.524	2.198	4.876	394.8	15.02	4.107	5.314	3319.	3.128	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Mar. 3	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	12⅝-12⅞	12⅛-12¾	12½-16⅛	12⅛-12⅛	12⅛-12⅛	11¾-11⅞
U.S. Dollar	7⅞-2	7½-7⅛	7⅛-7⅛	7⅝-7⅞	7⅛-7⅛	7¼-7½
Can Dollar	10⅜-13⅞	13¼-10⅝	12⅞-10⅛	11⅞-10⅞	11⅛-11⅝	10⅛-10⅜
D Guilder	2¼-6⅝	6⅛-6⅛	5¾-5⅞	5⅝-5¾	5⅝-5¾	5⅝-5¾
Sw. Franc	0⅛-3¾	5⅝-5⅞	3¾-3⅞	3¾-3⅞	5¼-5⅞	3¼-3⅞
Deutschmrk	0⅛-6⅝	4¾-4⅞	4⅛-4⅛	4⅝-4⅛	4⅝-4⅛	4⅜-4½
Fr. Franc	8⅛-9	12-14	15-15¼	14-14⅛	13⅛-13⅛	11-11½
Italian Lire	15-18	18-21	19-20	16⅛-19¼	17¼-17¾	15¼-16⅜
B.Fr.(Fin)	9⅝-9⅞	9⅝-9⅞	9⅝-9⅞	9⅝-9⅞	9-9¼	8¾-9
B.Fr.(Con)	9¾-10	10-11	11-11⅞	10¼-10¾	9¼-9¾	8⅛-9
Yen	6¼-6⅝	6¼-6⅜	6⅛-6½	5¾-5⅛	5⅛-5⅝	5⅛-6⅛
D. Krone	7⅝-8⅛	7⅝-7⅞	7¾-8	7¾-8¼	7¾-8¼	7¾-8¼
Asian $ (Sng)	7⅞-8	7⅞-8	7⅛-7⅛	7¾-7⅞	7¾-7⅞	7⅛-7⅛

Long-term Eurodollars: two years 8-8¼ per cent; three years 8⅛-8⅜ per cent; four years 8¼-8½ per cent; five years 8⅜-8⅝ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

CURRENCY MOVEMENTS

Mar. 3	Bank of England Index	Morgan Guaranty Change %
Sterling	72.5	−12.6
U.S. dollar	117.6	+8.0
Canadian dollar	70.8	−14.0
Austrian schilling	127.1	+7.4
Belgian franc	96.0	−7.6
Danish Kroner	86.5	−0.7
Deutsche mark	155.7	+14.9
Swiss franc	130.0	+14.4
Guilder	124.7	+0.5
French franc	72.3	−0.7
Lira	46.8	−17.3
Yen	190.0	+41.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Mar. 3	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.802004	0.675880
U.S. $	7½	1.15273	0.966051
Canadian $	11.80	*	1.57607
Austria Sch.	4	17.9950	16.0996
Belgian Fr.	9¾	52.4084	44.0106
Danish Kr.	7	9.46133	7.94128
D'mark	4	2.55985	2.14936
Guilder	3	2.89180	2.42782
French Fr.	9½	7.87423	6.61910
Lira	15½	1742.28	1462.69
Yen	4½	208.121	174.003
Norway Kr.	8	N/A	6.78224
Span'h Pts.	—	161.611	136.703
Swedish K.	9½	8.27711	6.94609
Swiss Fr.	4	2.16044	1.81494
Greek Drch	20½	162.332	135.098
Irish Punt	—	N/A	0.711057

*C$/SDR rate for February 28: 1.64187.

OTHER CURRENCIES

Mar. 3	£	$
Arg'tina	1.1480-1.1503	0.8000-0.8010
Aus'alia	2.0625-2.0655	1.4380-1.4320
Brazil	19.71-20.02	13.74-13.94
Finland	7.3015-7.3165	5.0885-5.0905
Greece	197.08-201.10	137.10-139.90
H'kong	11.1950-11.2050	7.8070-7.8090
Iran	118.90*	80.10*
Kuwait	0.4070-0.4080	0.28348-0.28365
Lux'burg	65.55-66.05	45.45-45.65
Malaysia	3.5750-3.5850	0.4936-0.4956
N'Z'land	2.7425-2.7525	1.9120-1.9175
Saudi Ar.	5.2475-5.2530	3.6605-3.6620
Sin'pore	3.0845-3.0945	2.1610-2.1630
S.Af. (Cm)	2.8460-2.8550	1.9820-1.9880
S.Af. (Fn)	3.9290-5.2540	2.6665-2.7526
U.A.E	5.2790-5.2845	3.6725-3.6736

* Selling rate.

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4420	1.4359	1.4258	1.4123	1.3918

IMM—STERLING $s per £

	Latest	High	Low	Prev
March	1.4360	1.4360	1.4305	1.4380
June	1.4180	1.4210	1.4136	[illegible]
Sept	1.4075	1.4075	1.4010	1.4100
Dec	1.3975	1.4000	1.3850	1.3980

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.4343	1.4370	1.4298	1.4480
June	1.4193	1.4205	1.4180	1.4340
Sept	1.4073	—	—	1.4220

Est. volume 97 (121)
Previous day's open int. 2,871 (2,889)

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.4503	0.4509	0.4498	0.4483
June	0.4541	—	—	0.4521

Est. volume 46 (87)
Previous day's open int. 295 (283)

STERLING INDEX

	Mar 3	Previous
8.30 am	72.4	74.1
9.00 am	72.5	73.9
10.00 am	72.3	73.7
11.00 am	72.3	73.8
Noon	72.4	73.9
1.00 pm	72.3	73.8
2.00 pm	72.2	73.7
3.00 pm	72.4	73.5
4.00 pm	72.5	73.2

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.0106	−1.83	+1.11	±1.5425
Danish Krone	8.12857	7.94129	−2.30	+0.64	±1.6421
German D-mark	2.23840	2.14942	−3.98	−1.04	±1.1455
French Franc	6.86402	6.61210	−3.67	−0.73	±1.3654
Dutch Guilder	2.52208	2.42782	−3.74	−0.80	±1.5162
Irish Punt	0.724578	0.711067	−1.87	+1.07	±1.6673
Italian Lira	1520.60	1462.59	−3.81	−1.85	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

MONEY MARKETS

UK rates up on weak pound

Interest rates were firmer in London yesterday as the market showed its concern over sterling's continued fall. Six-month interbank money rose to 12-12½ per cent from 11⅞-12 per cent and the three-month rate was higher at 12⅜-12½ per cent compared with 12¼-12⅜ per cent. Overnight money touched 13½ per cent as the market faced another very large shortage. Later in the day it touched a low of 11 per cent.

The Bank of England forecast a shortage of around £1,100m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £972m and Exchequer transactions a further £415m. In addition banks brought forward balances £20m below target. These were partly offset by a fall in the note circulation of £305m. The authorities offered an early round of assistance and also announced a further temporary credit facility of 1 per cent of banks' eligible liabilities, worth up to £1bn, running from tomorrow to March

The early help totalled £35m and comprised purchases of £2m of eligible bank bills in band 2 at 12⅝ per cent, £10m in band 3 at 12½ per cent and £23m in band 4 at 12⅞ per cent. Further help was given in the morning of £796m. Outright purchases of bills totalled £182m and comprised £141m of eligible bank bills in band 2 at 12⅝ per cent, £32m in band 3 at 12½ per cent and £9m in band 4 at 12⅞ per cent.

The Bank also arranged sale and repurchase agreements on £614m of bills at 12⅞-12⅞ per cent for resale in equal amounts tomorrow and Thursday. Afternoon help came to £309m consisting of outright purchases of eligible bank bills; £10m in band 1 at 12½ per cent, £195m in band 2 at 12⅝ per cent, £65m in band 3 at 12½ per cent and £39m in band 4 at 12⅞ per cent. Total help was £1,140m.

In Frankfurt the Bundesbank announced its intention to arrange a 29-day sale and repurchase facility at a minimum rate of 4.3 per cent. This is the lowest call rate the central bank has offered since January last year, increasing speculation about the possibility of a reduction in West German lending rates.

UK clearing banks base lending rate 12½ per cent since January 9

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9¼
Fed funds	7⅝
Fed funds at intervention	7⅝
Treasury Bills & Bonds	
One month	6.64
Two month	7.13
Three month	7.22
Six month	7.30
One year	7.35
Two year	7.58
Three year	7.66
Four year	7.72
Five year	7.82
Seven year	7.94
10 year	7.98
30 year	8.17

FT LONDON INTERBANK FIXING

(11.00 a.m. March 3) Three months US dollars		Six months US dollars	
bid 7 3/4	offer 7 7/8	bid 7 3/4	offer 7 7/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Mar. 3	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11-13¼	12⅞-12⅞	12⅛-12⅛	12⅜-12⅛	12-10¼	11¾-11⅛
Sterling CDs			12⅜-12¼	12⅛-12⅞	11⅞-12	11⅛-11⅛
Local Authority Depos	10¾-12⅞	12⅝	12⅛	12⅜	12⅛	11¾
Local Authority Bonds	—	—	13	10¼	12⅛	12
Discount Mkt Depos	11-10⅛	12⅛	12⅛	12⅛	—	—
Company Depos	12¼-15⅛	10⅞-13	12⅞	12⅝	—	—
Finance Hse Depos	—	—	12⅝	12⅛	12⅛	11¾
Treasury Bills (Buy)	—	—	12⅛	11⅛	—	—
Bank Bills (Buy)	—	—	10⅛	12⅛	11⅛	—
Fine Trade Bills (Buy)	—	—	10⅛	12⅛	12⅛	—
Dollar CDs	—	—	7.70-7.70	7.65-7.70	7.65-7.70	7.80-7.85
SDR Linked Depos	—	—	8⅛-8⅛	8⅛-8⅛	7¼-8	7⅛-7⅛
ECU Depos	—	—	10⅛-10⅛	9⅛-10⅛	9⅛-9⅛	9-0⅛

Treasury Bills (sell): one-month 12¾ per cent; three-months 11⅞ per cent. Bank Bills (sell): one-month 12⅝ per cent; three-months 12⅜ per cent. Treasury Bills: Average tender rate of discount 11.8461 per cent. ECGD Fixed Finance Scheme IV reference date January 9 to February 4 (inclusive): 13.077 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rates 13 per cent from March 1, 1986. Bank Deposit Rate for sums at seven days' notice 6-6¼ per cent. Certificates of Tax Deposits (Series 6). Deposits £100,000 and over held under one month 12½ per cent; one-three months 12¼ per cent; three-six months 11⅝ per cent; six-nine months 11½ per cent; nine-12 months 11½ per cent. Under £100,000 11½ per cent from February 26. Deposits withdrawn for cash 7½ per cent.

MONEY RATES

Feb. 28	Ov'r-night	One Month	Two Months	Three Months	Six Months	Lombard Inter'vention
Frankfurt	0.30.5	4.00-4.65	4.40-4.80	4.45-4.60	4.40-4.55	0.0
Paris	8⅞	8⅛-8⅛	8⅛-8⅛	8⅝-8¾	8⅛-0⅛	8⅛
Zurich	7⅛-1⅛	3⅝-5⅞	—	3¾-5⅞	—	—
Amsterdam	0⅛-6⅝	0⅛-0	—	0¾-0⅞	—	—
Tokyo	6.09075	6.09575	—	0.90625	—	—
Milan	18⅞-17¼	17¼-17⅝	—	18⅛-18⅛	—	—
Brussels	9.00	9⅛-9¼	—	9⅛-9⅛	—	—
Dublin	15⅛-16⅛	10⅛-10⅛	10⅛-10⅛	16⅛-16⅛	14⅛-14⅛	—

LONDON

[illegible]

CHICAGO

[illegible]

Company Notices

FIAT FINANCE AND TRADE LTD.
$ US 100.000.000 GUARANTEED FLOATING RATE NOTES DUE 1991

For the three months, February 24, 1986 to May 26, 1986, the rate of interest has been fixed at 8.09 % P.A.

The interest due on May 27, 1986 against coupon nr 1 will be $ US 206.74 and has been computed on the actual number of days elapsed (92) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

ELECTRICITE DE FRANCE E.D.F.

USD 400,000,000 Floating Rate Notes due February 1999

The applicable interest rate for the period beginning on February 27 1986 and ending on August 27 1986 as fixed by the reference agent is 8⅛ per cent per annum namely US$405.36 by the denomination of US$10,000.00.

IN THE MATTER OF TIDE CAST (UK) LIMITED AND IN THE MATTER OF THE COMPANIES ACT, 1985

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required on or before the 2nd day of April, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Philip Monjack, FCA, at 30 Eastbourne Terrace, London W2 6LK, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 19th day of February 1986.
P. MONJACK,
Liquidator.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on March 3, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on US dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
[illegible]		
French C'ty in Af.	C.F.A. Franc	400.03
French Guiana	Local Franc	0.8025
French Pacific Is.	C.F.P. Franc	174.0
Gabon	C.F.A. Franc	499.05
Gambia	Dalasi	0.10
Germany (East)	Ostmark	3.20
Germany (West)	Deutsche Mark	3.20
Ghana	Cedi	190.3750
Gibraltar	Gibraltar £	1.0
Greece	Drachma	100.08
[illegible]		
Niger Republic	C.F.A. Franc	492.63
Nigeria	Naira	1.477568(sg)
Norway	Norwegian Krone	10.1125
Oman Sul'ate of	Rial Omani	0.5500
Pakistan	Pakistan Rupee	82.10
Panama	Balboa	1.4420
Papua N. Guinea	Kina	1.3958
Paraguay	Guarani	(344.58(10) / (1178.59(7)
[illegible]		
Western Samoa	Samoan Tala	(A) 5.83
Yemen (Nth)	Ryal	(A) 10.8085(sg)
Yemen (Sth)	S. Yemen Dinar	0.4920
Yugoslavia	New Y Dinar	462.08
Zaire Republic	Zaire	80.9141
Zambia	Kwacha	10.09
Zimbabwe	Zimbabwe $	2.0000

† Rate is the transfer market (controlled). †† Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for public sector debt and essential imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (8) Banknote rates. (10) Rate for exports. (14) Nearly all business transactions. (15) Vietnam:—1 new dong equals 10 old dongs. (16) Peru:—1 inti equals 1,000 soles. (17) Israel:—1 new shekel equals 1,000 old shekels. (18) Aruba florin:—new currency introduced January 1, 1986. (19) Guinea Republic:—franc, new exchange rate announced. (20) Brazil:—1 cruzado equals 1,000 cruzeiros. † Correction (February 24): E. Caribbean $ rate was 3.94.

LONDON SHARE SERVICE

BRITISH FUNDS

1985/86 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99 13/16	96¼	Treas. 10pcCnv 1986	99 13/16	....	10.03	12.46
98 5/16	92¼	Treas 3pc 1986	98 5/16	+1/32	3.05	12.36
100	97½	Exch. 10½pc 1986	99 9/16	....	10.55	12.55
101⅞	99¼	Treas 12pc 1986	99 13/16	–1/16	12.02	12.43
98⅞	94½	Treas 8¼pc 1984-86‡‡	98 13/16	–1/16	8.60	12.06
105 5/16	100½	Exch. 14pc 1986	101 3/16	–⅛	13.83	11.93
95 13/16	87⅞	Exch. 2½pc 1986	95 1/16	+1/16	2.62	9.17
104 3/16	100⅛	Exch. 13¼pc 1987	101 5/16	–1/16	13.07	11.58
99 1/16	96⅝	Treas 10¼pcCv '87	99 3/16	–⅛	10.34	11.20
94⅞	85½	Exch 2½pc 1987	94 7/16	–1/16	2.64	8.54
100 1/16	96¼	Exch. 10½pc 1987	99 1/16xd	–1/16	10.58	11.27
95⅞	89	Funding 6½pc '85-87‡‡	95 7/16	–1/16	6.80	10.65
99 1/16	95½	Treas. 10pc 1987	98 3/16	–1/16	10.14	11.19
93¼	84¾	Treas 3pc 1987	93	–⅛	3.22	8.55
102 11/16	99⅝	Treas. 12pc 1987	101⅛	–¼	11.86	11.20
95⅞	90¼	Treas 7¾pc 1985-88‡‡	95 3/16	–⅛	8.14	10.60
100 1/16	95⅛	Exch 10½pc '88	99 3/16	–⅛	10.58	10.93
98⅛	93⅝	Treas 9¾pc Cv '88	97 7/16	–1/16	10.00	11.02
88½	80	Transport 3pc '78-88	88⅛	–⅛	3.39	8.62
97⅞	91½	Treas. 9½pc '88	96 5/16	–1/16	9.85	11.13
102⅝	97½	Treas 11½pc 1989	101 7/16	–1/16	11.33	10.91
97 1/16	90½	Treas 9½pc Cnv. '89	96 5/16	–⅛	9.88	11.01
85	79	Treas 3pc 1989	84⅞	–⅛	3.53	8.49
99⅞	94	Treas 10½pc 1989	99	–⅛	10.60	10.85
98⅛	92	Exch 10pc 1989	97 13/16	–¼	10.22	10.78
101 1/16	95	Exch 11pc 1989	100 11/16xd	–1/16	10.92	10.77
86½	79	Treas 5pc 1986-89	86½	–⅛	5.78	9.49
100⅛	95	Exch 10¼pcCv '89	99 1/16	–1/16	10.30	10.41
108 11/16	103⅛	Treas 13pc 1990‡‡	106 13/16	–⅛	12.15	10.75
101⅞	96 1/16	Exch 11pc 1990‡‡	100⅞	–1/16	10.90	10.72
105¾	100⅛	Exch 12½pc 1990	105⅛xd	–⅛	11.82	10.72
81 1/16	75⅛	Treas 3pc 1990	81	–⅛	3.70	8.49
93⅞	87⅛	Treas 0¾pc 1987-90‡‡	92⅞	–⅛	8.90	10.42
101⅛	91⅞	Treas. 10pcCv 1990	97¼	–⅛	10.28	10.76
77 1/16	76⅞	Exch 2½pc 1990	77¼	–1/32	3.23	8.44
103⅛	97⅛	Treas 11¾pc 1991	103 13/16	–⅛	11.31	10.70
		Five to Fifteen Years				
87⅞	77 13/16	Funding 5¾pc '87-91‡‡	87½xd	–⅛	6.57	8.86
102⅞	93 13/16	Exch 11pc 1991	102⅛	....	10.76	10.45
110⅛	101⅛	Treas 12¾pc 1992‡‡	110½	....	11.58	10.39
98⅝	89¼	Treas 10pc 1992	98⅝	....	10.14	10.31
100⅞	91⅞	Treas 10½pc Cv 1992‡‡	100½	–⅛	10.45	10.38
108⅝	99⅛	Exch. 12¼pc '92	108⅛	[illegible]	11.33	10.47
113⅞	104 1/16	Exch 13½pc 1992	113⅜xd	–⅛	11.91	10.61
24½	19⅞	Treas 10pc 1993 (£20pd)	23 1/16	–⅛	10.21	10.42
110½	100 1/16	Treas 12½pc 1993‡‡	110	–⅛	11.36	10.51
84	74	Funding 6pc 1993‡‡	83½xd	–⅛	7.19	9.07
117	106 5/16	Treas 13¾pc 1993‡‡	116⅛	–¼	11.80	10.56
121⅞	112 1/16	Treas 14½pc 1994‡‡	121½xd	–⅛	11.95	10.48
116	105⅞	Exch 13½pc 1994	115½	–¼	11.69	10.60
111¼	100 1/16	Exch. 12½pc 1994	110⅞	–¼	11.27	10.53
93	84 1/16	Treas 9pc 1994‡‡	92½	–¼	9.73	10.32
108⅞	98 1/16	Treas 12pc 1995	108½	–⅛	11.06	10.50
71½	61¼	Gas 3pc '90-95	71⅛	–⅛	4.20	7.35
99¼	89¼	Exch 10¼pc 1995	98⅞	–⅛	10.37	10.44
114	103½	Treas 12¾pc 1995‡‡	113½	–⅛	11.24	10.49
120⅛	109 13/16	Treas. 14pc '96	120⅛	–⅛	11.63	10.61
92⅞	83⅝	Treas 9pc 1992-96‡‡	92⅞xd	–⅛	9.72	10.19
129⅝	117 13/16	Treas 15¼pc 1996‡‡	128⅝	–¼	11.86	10.53
117⅞	107⅞	Exch 13¼pc 1996‡‡	117⅛	–¼	11.28	10.42
77½	67⅛	Redemption 3pc 1986-96	77⅛xd	..	3.88	5.91
118⅞	107 1/16	Treas 13¼pc 1997‡‡	118	–⅛	11.23	10.44
101⅛	91	Exch 10½pc 1997	100⅝	–⅛	10.43	10.40
90½	81⅛	Treas 8¾pc 1997‡‡	90¼xd	..	9.70	10.20
129⅞	117⅛	Exch. 15pc 1997	128⅝	–¼	11.66	10.64
96⅛	87 1/16	Exch 9¾pc 1998	96⅛	–	10.12	10.28

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

AMERICANS

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

1985/86 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
290	160	Ayer Hitam $M1	175	.....	ψQ155c	1.5	‡
250	46	Geevor	72	.....	±12.0	1.9	‡
175	55	Gopeng Berhad M$0.50	55	.....	g90.16	φ	10.5
650	650	Hongkong	650#	.....	—	—	—
27	11	Jantar 12½p	18	.....	2.5	φ	19.8
55	22	Malaysia Mng. 10c	24	.....	‡ψQ6c	2.4	‡
38	17	ψPahang	17#	.....	B—	—	—
650	150	Pengkalen 10p	200	.....	—	—	—
275	120	Petaling $M1	120	.....	ψQ60c	0.2	13.8
275	125	Sungei Besi $M1	125	.....	‡ψQ43c	—	‡
285	125	Tanjong 15p	125	.....	—	—	—
250	90	ψTongkah H. Tin $M1	100	.....	ψQ23c	1.2	6.7
305	105	Tronoh $M1	128	+5	‡ψQ64c	1.1	23.8

Miscellaneous

1985/86 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
55	30	Anglo-Dominion	30	.....	—	—	—
42	33	Anglo Utd Dev	33	–1	d1.05	φ	4.5
120	48	ψColby Res Corp	50	.....	—	—	—
550	775	Cons. Murch. 10c	240	.....	‡Q8½c	3.9	‡
40	24	ψEmes Int. Ir10p	29	.....	—	—	—
123	70	Greenwich Res	87	+4	—	—	—
215	115	Hampton Areas 10p	124	–1	3.75	0.9	4.1
260	135	ψHighwood Res	222	.....	—	—	—
£22½	£15⅛	Homestake Mining $1	£16½	.....	Q20c	—	0.9
310	155	ψMcFinley Red Lake	190	.....	—	—	—
335	195	ψMusto Explorations	265	.....	—	—	—
55	23	ψNew Sabina Res C$1	42	.....	—	—	—
375	195	Northgate C$1	212	+2	—	—	—
685	507	RTZ	610	–5	†20.0	2.8	4.7
£145½	£114½	Do. 9½pcLn '95-2000	£130½	–½	Q9½%	34.0	F7.3
980	800	ψTara Expln $1	925	+13	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- • Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- φ Figures or report awaited.
- ψ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ● Same interim, reduced final and/or reduced earnings indicated.
- ◊ Forecast dividend, cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B Fr. Belgian Francs. Fr. French Francs. ♣♣ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	104	.....	Fin. 13% 97/02	£113¾	.....
Craig & Rose £1	£11	.....	Arnotts	250	.....
Finlay Pkg. 5p	45	.....	CPI Hldgs	55	.....
Holt (Jos) 25p	720	.....	Carrol Inds.	170	.....
IoM Stm. £1	62	.....	Dublin Gas	55	+3
			Hall (R. & H.)	60	.....
IRISH			Heton Hldgs.	25	.....
Fund 11¼% 1988	£99⅝	.....	Irish Ropes	56	–1
Nat. 9¾% 84/89	£95¼	.....	Unidare	125	.....

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LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Feb 24	Mar 6	Mar 7	Mar 17
Mar 10	Mar 26	Mar 27	Apr 7
Apr 1	Apr 10	Apr 11	Apr 21

* "New-time" dealings may take place from 8.30 am two business days earlier.

Sterling and oil price weakness unsettles shares and bonds

The combination of a weaker pound and lower crude oil prices overshadowed London stock markets yesterday. Institutional investors went to ground, leaving both share and bond markets at the mercy of profit-taking after the recent surge forward. Initially the sales from professional and short-term operators had scant impact, but fresh weakness soon appeared in the sterling exchange index.

News later of a further drop in North Sea oil prices to around $12.50 a barrel exerted further pressure. Optimism about lower bank base rates began to fade, despite reports that Japan was seeking a concerted reduction in international interest rates and the tone became uncertain. The profit-taking eventually ran its course as business slowed to a trickle but the market remained sensitive.

Hopes of renewed US buying inquiries in the wake of easier pound were not fulfilled and, with Wall Street moving to lower levels early yesterday, the majority of blue chip industrials settled at the session's lowest. The FT Ordinary share index, after starting the day marginally higher, closed 10.9 off at 1,266.5. Its broader-based FT-SE 100 share index lost 9.0 to 1,534.9.

Activity connected with takeover situations, actual or rumoured, also subsided. **Hanson Trust** was said to be still trying to increase its stake in **Imperial Group**, but there was little else of note. **Home Charm**, which soared over 100p on Friday following a bid approach, flopped out just as dramatically on news that the talks had been terminated; after dropping to 285p, Home Charm closed 72 down on the day at 318p.

Government bonds suffered volatility for the second consecutive session. Longer-dated stocks followed the exchange rate down to register falls of a point and sometimes more before recovering strongly with sterling. Most of the rally occurred in the after-hours' trade to leave selected longs only ½ easier on the day. Medium and shorter life issues picked up accordingly.

Clearers good

—Encouraged by Lloyd's impressive start to the dividend season, investors keenly supported the clearing banks ahead of this week's batch of results. Awaiting today's preliminary figures, **NatWest** moved up 6 to 708p; brokers estimates range between £740m and £780m. **Lloyds** advanced 11 to 503p following comment on the figures, while **Midland** gained 6 to 478p ahead of tomorrow's annual results. **Barclays**, scheduled to conclude the season on Thursday, rose 10 to 482p. Foreign issues were also well to the fore with Australian banks strong in the wake of a buy recommendation from Saloman Bros Inc of New York. **ANZ** jumped 20 to 257p as did **Westpac** to 252p, while **National Australia** added 10 to 255p. **Deutsche** of West Germany, meanwhile, jumped 4½ points to £234½ and **Algemene** were a similar amount better at £153. **Wells Fargo**, which recently bought Crocker National from Midland, closed 1½ dearer at £55½. Merchant banks were featured by **Schroders** which advanced ½ to £12½ in response to Press comment. **Leopold Joseph** put on 10 to 400p and **Mercury Securities** appreciated 15 at 815p. Elsewhere, **Woodchester**, in which Gartmore Information and Financial Trust holds a 7 per cent stake, jumped 32 to 210p in a thin market.

A weekend Press suggestion that Midland bank is contemplating merging with the **Prudential** helped the latter rise 14 to 844p among Insurances.

Yesterday saw the introduction to the market of computer disk drive manufacturer **Rodime**; the shares opened at 865p and touched 900p prior to closing at 890p.

Leading Buildings traded quietly and settled a shade easier for choice. *Profit-taking* clipped 3 from **Barratt Developments** at 140p and 5 from **George Wimpey**, at 161p. Elsewhere, **Berkeley Group** continued to attract buyers and gained 18 to 368p in a restricted market, while buyers also favoured **Brickhouse Dudley**, 6 higher at 96p, and **John Maunders**, 2 dearer at 156p. Press comment stimulated fresh interest in **Helical Bar** which put on 12 to 102p and **George Dew**, which firmed 4 to 97p. **Raine Industries** were a relatively lively market and touched 42½p prior to closing 2½ better at 41p.

Among Chemicals, **Blagden Industries** gained 6 to 129p awaiting today's annual results, while **Foseco** firmed 5 to 253p following publicity given to a broker's circular. **Holt Lloyd** continued to reflect favourable comment and added 2 more to 90p. **Brent** found support at 127p, up 3. Elsewhere, **Amersham International** rose 8 to 355p.

Storehouse dull again

Storehouse, the holding company resulting from the merger of Habitat Mothercare and British Home Stores, fell 13 more to 300p as investors continued to express caution in the wake of a profits downgrading from brokers Scrimgeour Vickers. Other leading Retailers also closed on a dull note, partly reflecting fading hopes of tax cuts in the foreseeable future. **Gussies A** dipped 13 to 909p, while **Burton** eased 4 to 280p. Elsewhere, the **Home Charm** news unsettled **A. G. Stanley**, finally 5 cheaper at 76p. Selected secondary Stores continued to attract speculative demand; however, with **Martin Ford** 4 up at 129p, after 135p, and **Lincroft Kilgour** 7 better at 182p.

Shoes and Leather issues featured **Strong and Fisher** which advanced 8 to 138p, after 140p, following Press comment. Buyers also displayed renewed interest in **Stylo**, 7 up at 200p, and **Futura**, 15 dearer at 315p.

STC lost 6 to 116p on profit-taking in the absence of the widely rumoured bid from BTR; the former's preliminary results are due on Friday. **Thorn EMI** declined 8 at 439p and **Racal** relinquished 6 at 194p. Elsewhere in Electricals, **AMS Industries** plummeted 19 to 104p following the Board's bearish statement regarding diminishing orders which accompanied the annual results. **Powerline's** annual figures were deemed disappointing and the shares dropped 22 to 131p, while **Microvetic** reflected the profits setback with a decline of 2 to 35p, after 33p. **Comcap** dropped 7 at 265p and **Acorn Computer** relinquished 4 at 77p. **Lex Refrigeration**, on the other hand, jumped 25 to 280p following revived speculative support and **Microlease** advanced 10 to 160p in response to Press comment.

Leading Engineers drifted lower for want of support, **Hawker** reacting 8 to 517p and falls of 5 being marked against **GKN**, 396p, and **Vickers**, 408p. Elsewhere, **Newman-Tonks** rose 4 to 132p on suggestion that **McKechnie** may have to increase its offer; the latter gave up 6 to 190p. Acquisition news left **B. Elliott** 3 dearer at 56p, while **Brooke Tool** rose 4 to 38p in response to the encouraging tenor of the chairman's annual statement. Press mention stimulated a flurry of activity in **Aurora** which closed 5½ higher at 52p. **Bronx** were also noteworthy for a rise of 3 at 21p, but cautious comment left **Manganese Bronze** 3 off at 53p. Other dull spots included **Pegler Hattersley**, 10 down at 386p, and **Woodhouse and Rixson**, 4 cheaper at 74p.

S. and W. Berisford, in receipt of a bid approach from Ferruzzi of Italy, touched 211p before closing a net 5 up at 207p as **Hillsdown Holdings** increased its stake in the company to 9.09 per cent; HH rose 12 to 220p. **Ranks Hovis McDougall**, in which S. and W. Berisford holds a near 15 per cent stake, added a couple of pence to 193p. **Cadbury Schweppes** hardened a penny to 165p awaiting Thursday's annual results, but other leading Foods gave ground in the absence of further buying interest. **Tate and Lyle** settled 5 cheaper at 605p as did **Rowntree Mackintosh**, at 430p. Elsewhere, profit-taking left **Fitch Lovell** 14 lower at 302p and **Bassett** 9 off at 178p.

Hotels drifted lower, with **Grand Metropolitan** 8 down at 410p and **Trusthouse Forte** 2 cheaper at 158p.

British Vita up

Most leading miscellaneous Industrials drifted lower. **Beecham** met with renewed offerings and touched 346p before settling 6 cheaper on the day at 350p, while profit-taking clipped 11 from **Pilkington** at 427p. **Trafalgar House** eased 7 to 328p and **BTR** 5 to 428p. Resisting the trend, **BOC** firmed 6 to 334p. Elsewhere, **British Vita** responded to the good preliminary figures with a gain of 13 to 242p. **Biddle Holdings**, awaiting news of a takeover approach, closed a like amount dearer at 198p after 200p, while **Bridon** ended 8 to the good at 132p after news of the sale of its 49 per cent stake in Grupo Industrial Camesa of Mexico. Speculative activity left **Hepworth Ceramic** 9 higher at 167p and a Press mention stimulated **Minty** which rose 40 to 340p in a limited market. **CH Industrials** hardened a penny to 58p on news that it had placed its holding in **Banro Industries** with various institutions; the latter fell 10 to 165p. **Suter** advanced 13 to 340p with **UKO International** improving 7 to 203p in sympathy. Renewed speculative demand left **SI Group** up 1½ more at 36p, after 38p, while **Fisons** traded firmly at 520p, up 13, awaiting today's preliminary statement. **Amari**, reflecting US acquisition details, put on 8 to 148p. **Wm Baird**, in contrast, a good market last week on Dawson International bid hopes, reacted 20 to 510p. Dealings were temporarily suspended in **Staffordshire Potteries** and **Coloroll** at 122p and 187p respectively; it was announced well after the market closed that merger discussions between the two companies had been terminated.

The prospect of further rationalisation within the sector stimulated fresh support for Motor Distributors. Gains of 4 were common to **Hartwells**, 90p, and **Jessups**, 86p, while **Appleyard** hardened a couple of pence for a two-day advance of 15 to 108p. USM-quoted **Laidlaw** rose 7 to 50p. **Lex Service** attracted call option business ahead of Thursday's preliminary figures and improved 7 to a 1985-86 peak of 327p. **T. Cowie**, on the other hand, encountered profit-taking after last week's heady rise of 46 and eased 7 to 138p.

Publishers were quietly irregular. **Independent Newspapers**, buoyant last week in response to excellent full-year figures, rose 8 more to 343p, but **United**, due to reveal annual results later this month, shed 5 to 298p, after 295p. Among Paper/Printings, revived bid speculation, lifted **McCorquodale** 7 more to 210p, while **Delyn Packaging** rose 10 to 100p following Press mention. Advertising and related counters lacked a decided trend. **Saatchi and Saatchi** hardened 15 to 905p, while **Abbott Mead Vickers**, annual results due Thursday, put on 7 to 230p. **Brunning** rose 8 to 178p, but design consultants **Michael Peters** fell 19 to 173p in reaction to disappointing mid-term figures.

Leading Properties encountered scrappy selling, sentiment being unsettled by a broker's cautious view of the sector. However, current takeover favourite **MEPC**, after dipping to 343p at one stage, rallied strongly on the reappearance of buyers to close 8 higher on balance at 365. **Land Securities** settled 4 cheaper at 316p, after 315p, while **Haslemere Estates**, the subject of an unwelcome offer at 600p per share from Rodamco, were finally 3 easier at 625p, after 620p. Among secondary issues, **Marler Estates** found support and rose 10 to 220p, while **Hanover Investments** firmed 5 to 165p on revived speculative buying.

Financials generally gave modest ground. Occasional offerings left **Exco** 3 off at 237p, and **Smith Bros** 4 cheaper at 194p. **Industrial Finance and Investment** dipped a few pence to a 1985-86 low of 80p following the sharply reduced interim profits. In contrast, dealing in "shell" situation **NMC Investments**, suspended last week at 26½p, resumed following the capital restructuring and quickly touched 105p before closing at 80p. Buyers also returned for **Kwahu**, finally 3 to the good at 33p.

BP lower

Renewed weakness in crude oil prices following the milder weather throughout Europe brought further pressure to bear on oil shares. Initially marked lower, the leaders rallied in mid-session, but turned easier again towards the close and in after-hours trading. **BP** continued to reflect switching into Shell and fell away to close a further 10 off at 520p—a fall of 23 over the past two trading days—while **Shell** ended the day 5 cheaper at 705p; the latter's fourth quarter results are scheduled for Thursday week. Adverse press comment left **Tricentrol** 2 easier at 125p, while **Ultramar**, due to announce preliminary results on March 12, dipped a like amount to 210p.

The marked weakness of sterling against the dollar sustained the majority of the overseas-registered mining issues. South African Golds showed little alteration in dollar terms at the outset, despite early firmness in the bullion price. However, sterling quotations showed good gains before slipping to close a shade below the day's best levels after hours reflecting the late downturn in bullion. The latter closed a net $1 easier on balance. The Gold Mines index put on 6.5 to 342.7.

UK Financials showed **Consolidated Gold Fields** finally 3 easier at 465p ahead of the interim figures scheduled for March 12 while **Rio Tinto-Zinc** reflected the general downturn in equities and settled 5 off at 610p. **East Rand Consolidated** attracted substantial interest following the resumption of dealings in associate NMC Investments and, after opening at 63p ex the entitlement to subscribe for Vansa Vanadium, moved up to 69p before ending the session a net 2 higher at 64p.

Traded Options

Traded Options began the new month in subdued mood. Total contracts struck amounted to 13,680—the lowest for four weeks. However, another lively and evenly-balanced business developed in Beecham which attracted 990 calls, and 793 puts. A substantial put business was also noted for Bats with 1,072 trades done—897 of which were transacted in the May 330's. The FT-SE 100 contributed 488 calls and 440 puts.

FINANCIAL TIMES STOCK INDICES

	Mar. 3	Feb. 28	Feb. 27	Feb. 26	Feb. 25	Feb. 24	year ago
Government Secs	85.91†	86.43	85.55	85.29	85.05	84.82	80.13
Fixed Interest	89.69	90.16	†90.13	†89.76	†89.07	†89.35	83.56
Ordinary ♥	1266.5	1277.4	1281.6	1270.9	1264.2	1275.2	979.9
Gold Mines	342.7	336.3	358.8	337.0	336.3	352.1	477.8
Ord. Div. Yield	4.18	4.13	4.11	4.15	4.17	4.09	4.30
Earnings, Yld. % (full)	9.83	9.76	9.84	9.90	9.98	9.82	11.60
P/E Ratio (net) (*)	12.63	12.62	12.68	12.57	12.51	12.70	10.53
Total bargains (Est.)	37,907	32,000	31,866	30,504	39,435	38,025	24,598
Equity turnover £m.	—	702.22	802.24	800.04	833.21	1,054.79	454.05
Equity bargains	—	33,616	36,233	33,754	40,259	40,221	24,008
Shares traded (ml)	—	346.4	574.0	360.0	322.3	435.2	211.3

♥ 10 am 1274.7. 11 am 1272.1. Noon 1269.0. 1 pm 1268.2. 2 pm 1267.8. 3 pm 1268.0. 4 pm 1267.4. Day's High 1277.5. Day's Low 1266.5. Basis 100 Government Securities 15/10/26. Fixed interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest index 01-246 8026. *Nil=12.06. † corrected.

HIGHS AND LOWS

—	1985/86 High	1985/86 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	86.66 (27/2/86)	79.08 (28/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	90.68 (25/10/85)	82.17 (28/1/86)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1281.3 (27/2/86)	911.0 (25/7/85)	1281.6 (27/2/86)	49.4 (26/6/40)
Gold Mines	566.8 (15/4/85)	217.8 (5/11/85)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

INDICES	Feb 28	Feb. 27
Daily		
Gilt Edged Bargains	185.2	227.8
Equities Bargains	217.2	210.0
Value	1,642.8	1,742.8
5 day Average		
Gilt Edged Bargains	201.3	122.3
Equities Bargains	238.1	245.2
Value	1,786.1	1650.0

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	108	2
Corpns, Dom. and Foreign Bonds	1	31	49
Industrials	290	334	898
Fin. and Props.	178	79	320
Oils	12	19	87
Plantations	1	2	13
Mines	82	27	97
Others	115	10	95
Totals	668	612	1,556

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Mon Mar 3 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Fri Feb 28 Index No.	Thur Feb 27 Index No.	Wed Feb 26 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	668.35	−0.8	8.52	3.49	14.75	1.37	673.47	674.83	666.68	535.73
2	Building Materials (24)	710.76	−0.3	9.27	3.82	13.52	0.50	712.64	710.84	707.78	482.15
3	Contracting, Construction (27)	1034.77	−0.6	8.69	4.31	15.88	2.38	1040.69	1042.05	1031.61	692.01
4	Electricals (13)	1827.71	−0.5	8.02	4.15	16.25	1.50	1837.12	1844.06	1844.58	1503.96
5	Electronics (38)	1657.72	−1.3	8.86	2.77	14.04	6.02	1679.33	1691.35	1656.90	1685.43
6	Mechanical Engineering (63)	372.47	−0.8	9.50	3.99	12.83	0.64	375.60	374.99	370.24	294.72
8	Metals and Metal Forming (7)	295.05	−0.6	7.47	5.62	16.34	0.00	296.76	304.72	300.52	184.42
9	Motors (18)	271.61	−0.8	8.67	3.39	14.08	0.34	273.77	273.45	270.83	161.53
10	Other Industrial Materials (22)	1186.58	−0.5	6.38	3.08	18.78	2.35	1192.25	1192.27	1180.55	897.16
21	CONSUMER GROUP (184)	846.05	−0.8	8.00	3.38	15.70	2.07	852.98	853.76	847.03	626.27
22	Brewers and Distillers (23)	848.20	−1.1	9.32	3.66	13.67	4.04	857.87	857.78	849.46	558.41
25	Food Manufacturing (22)	617.48	+0.4	9.78	4.11	13.21	1.68	614.86	614.39	605.60	496.53
26	Food Retailing (14)	1854.68	−0.7	6.47	2.50	21.02	5.78	1868.56	1893.46	1878.92	1407.58
27	Health and Household Products (10)	1437.54	−0.3	5.30	2.23	22.14	0.25	1441.67	1446.60	1441.51	1017.43
29	Leisure (25)	851.18	−0.9	7.61	4.07	16.93	9.39	859.01	864.29	860.57	698.16
32	Publishing & Printing (13)	2135.73	−0.1	7.91	4.26	15.94	2.36	2137.69	2136.67	2115.20	1696.96
33	Packaging and Paper (15)	427.34	+0.2	8.08	3.72	14.71	0.09	426.43	424.85	420.99	308.96
34	Stores (43)	795.92	−1.7	6.75	2.72	20.05	1.06	809.87	808.97	808.17	550.36
35	Textiles (16)	471.63	−0.2	10.41	3.70	10.89	0.15	472.71	478.80	474.75	336.96
36	Tobaccos (3)	1045.51	−1.5	12.63	4.76	9.12	0.00	1061.04	1046.45	1021.20	941.97
41	OTHER GROUPS (86)	787.55	—	8.58	3.79	14.08	1.50	787.67	787.13	774.86	661.31
42	Chemicals (19)	877.07	+0.2	10.62	4.61	11.35	2.32	875.53	867.43	858.60	807.00
44	Office Equipment (4)	247.29	−1.1	7.83	4.07	15.21	3.81	250.02	253.07	254.14	180.92
45	Shipping and Transport (12)	1522.18	−0.6	6.72	3.81	18.42	0.00	1531.61	1545.16	1536.61	1103.52
47	Telephone Networks (2)	936.32	+0.1	8.80	3.50	15.58	0.93	935.26	933.97	906.17	765.25
48	Miscellaneous (49)	973.54	−0.1	7.13	3.49	17.17	1.68	974.34	977.61	974.81	829.70
49	INDUSTRIAL GROUP (482)	794.28	−0.6	8.28	3.47	15.25	1.76	799.13	799.77	791.13	620.17
51	Oil & Gas (18)	1107.58	−1.1	19.70	8.19	5.98	21.65	1119.64	1138.17	1134.54	1181.80
59	500 SHARE INDEX (500)	822.51	−0.7	9.46	3.96	13.13	3.38	827.94	829.97	821.67	667.82
61	FINANCIAL GROUP (118)	563.83	+0.3	—	4.34	—	0.28	561.92	564.63	561.43	444.29
62	Banks (7)	561.88	+1.4	16.43	5.67	8.44	0.00	554.32	556.34	548.38	451.05
65	Insurance (Life) (9)	840.25	+0.9	—	4.05	—	0.00	832.91	835.75	829.04	610.31
66	Insurance (Composite) (7)	458.75	−0.5	—	4.35	—	0.00	460.94	463.26	463.95	313.56
67	Insurance (Brokers) (8)	1252.13	+0.1	6.76	3.42	19.77	0.95	1251.13	1264.86	1270.05	1095.86
68	Merchant Banks (11)	331.99	+1.0	—	3.14	—	0.06	328.82	328.43	326.09	234.43
69	Property (51)	727.31	−0.4	5.46	3.40	24.48	0.49	730.46	735.97	736.38	623.88
70	Other Financial (25)	329.95	−0.5	7.34	4.06	16.35	0.90	331.60	332.72	329.42	298.93
71	Investment Trusts (103)	695.81	+0.3	—	3.13	—	1.90	693.51	692.18	688.99	632.58
81	Mining Finance (3)	274.15	−0.8	12.20	5.67	9.53	0.00	276.24	277.55	279.58	288.61
91	Overseas Traders (14)	649.14	−0.7	13.36	6.44	8.80	7.85	654.01	659.31	654.03	659.85
99	ALL-SHARE INDEX (738)	747.39	−0.5	—	4.02	—	2.56	750.83	752.86	746.18	610.53

	Index No.	Day's Change	Day's High	Day's Low	Feb 28	Feb 27	Feb 26	Feb 25	Feb 24	Year ago
FT-SE 100 SHARE INDEX ‡	1534.9	−9.0	1545.2	1534.4	1543.9	1549.5	1534.6	1527.7	1533.0	1265.7

FIXED INTEREST

	PRICE INDICES	Mon Mar 3	Day's change %	Fri Feb 28	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	119.66	−0.19	120.12	0.23	1.68
2	5-15 years	134.85	−0.14	135.07	0.03	2.16
3	Over 15 years	141.60	−0.18	142.05	0.19	2.85
4	Irredeemables	156.06	−0.24	156.79	0.35	1.62
5	All stocks	132.27	−0.17	132.63	0.13	2.10
	Index-Linked					
6	5 years	108.48	−0.55	109.08	—	0.81
7	Over 5 years	109.67	−0.64	110.37	—	0.71
8	All stocks	109.45	−0.62	110.14	—	0.73
9	Debentures & Loans	114.82	−0.20	115.05	—	1.23
10	Preference	79.72	—	79.72	—	1.67

	AVERAGE GROSS REDEMPTION YIELDS		Mon Mar 3	Fri Feb 28	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.39	9.35	10.98
2		15 years	9.75	9.73	10.78
3		25 years	9.75	9.73	10.39
4	Medium Coupons	5 years	10.65	10.60	11.96
5		15 years	10.13	10.10	11.23
6		25 years	9.88	9.85	10.66
7	High Coupons	5 years	10.77	10.68	12.07
8		15 years	10.29	10.27	11.45
9		25 years	9.98	9.94	10.82
10	Irredeemables †		9.65	9.62	10.20
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	4.49	4.26	0.0
12	Inflat'n rate 5%	Over 5 yrs	3.75	3.71	0.0
13	Inflat'n rate 10%	5 yrs	3.44	3.29	0.0
14	Inflat'n rate 10%	Over 5 yrs	3.59	3.55	0.0
15	Debs & Loans	5 years	11.28	11.29	12.35
16		15 years	11.10	11.09	12.11
17		25 years	10.92	10.88	11.94
18	Preference †		12.16	12.16	12.86

‡ Opening Index 1545.2; 10 am 1542.2; 11 am 1539.5; Noon 1536.5; 1 pm 1536.3; 2 pm 1535.6; 3 pm 1535.9; 3.30 pm 1535.5; 4 pm 1534.7.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
AMS Inds.	104	−12
Aurora	52	+5½
Berisford (S.&W.)	207	+5
BP	520	−10
British Vita	242	+13
Fitch Lovell	302	−14
Ford (Martin)	129	+4
Hepworth Ceramic	167	+3
Home Charm	310	+2
ICI	924	−3
MEPC	365	+0
Remus	105	+5

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
Ford (Martin)	36	125	+22
Home Charm	32	390	+104
Beecham	27	356	−2
Cowie (T.)	27	145	+25
Ashley (Laura)	26	232	+30
Berisford (SW)	22	202	+10
ICI	21	927	+10
Pilkington Bros	21	438	+13
BP	20	530	−13
Dewey Warren	20	125	−38
De Beers Dfd	18	500	+25
Imperial Group	17	322	+6

EUROPEAN OPTIONS EXCHANGE

Series		May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
GOLD C	$340	0	15	24	25 A	—	—	$360
GOLD C	$360	16	7.20 A	46	14.00	60	24	"
GOLD C	$380	42	3.50	17	8 A	—	—	"
GOLD C	$400	10	2	308	5.50	—	—	"
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 34,666.
A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price p	+or−	Net Div.	Times covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price £	+or−
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price p	+or−
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. e Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1986. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. t Indicated dividends: cover relates to previous dividend: p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ■ Allotment price. ✻ Unlisted securities market. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). †† Units comprising two ordinary, one preference and one warrant. † Units comprising one New ordinary and one 0.5 per cent Cnv.Red.Prf.

NEW HIGHS AND LOWS FOR 1985/6

NEW HIGHS (156)

BRITISH FUNDS (1). AMERICANS (9). BANKS (14). BREWERS (2). BUILDINGS (10). CHEMICALS (7). STORES (3). ELECTRICALS (7). ENGINEERING (6). FOODS (6). HOTELS (1). INDUSTRIALS (22). INSURANCE (3). LEISURE (1). MOTORS (3). NEWSPAPERS (1). PAPER (6). PROPERTY (3). TRUSTS (44). OVERSEAS TRADERS (1). MINES (2).

NEW LOWS (12)

BUILDINGS (1) Access Satellite. FOODS (1) Mayhew Foods. PROPERTY (2) Lynton, Mayfair City Props. TRUSTS (1) Ind. Fin. & Inv. Corp. OILS (3) Lennard Oil, Night Hawk Res., Offshore Oil. MINES (4) Asia Oil & Minerals, Australian Hydrocarbons, Eastern Petrol Australia, Paringa Mining & Exploration.

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar 3	Mar 14	June 12	June 23
Mar 17	Apr 4	June 26	July 7
Apr 7	Apr 18	July 10	July 21

For rate indications see end of Unit Trust Service

Stocks favoured for the call included Exco International, SI, Aurora, Bridon, STC, A. G. Stanley, Lonrho, Pilkington, Birmid Qualcast, Pavion International, Combined Technologies, Laura Ashley, Polly Peck, Burnett and Hallamshire, Eglington Oil and Gas, Jackson Exploration, Aldcom International, Ladies Pride, "The Times" Veneer, Metal Sciences, Lex Service, Bio-Isolates, Osceola, Lifecare International, Wellcome, Control Securities, Cannon Street Investments, Strong and Fisher, Hawley, Thomas Borthwick, Norfolk Capital and Brengreen. A put was done in STC, while a double option was taken out in West Coast.

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls July	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
B.P. (*520)	500	40	57	68	0	17	20
	550	14	30	40	38	43	52
	600	5	10	21	80	80	80
Cons. Gold (*469)	460	50	47	62	34	28	30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
P. & O. (*488)	420	70	25	—	3	7	—
	460	40	50	60	10	18	22
	500	10	30	40	30	57	45
Racal (*194)	140	64	74	—	2	2	—
	160	44	54	—	3	4	—
	180	28	42	46	6	11	13
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

March 3 Total contracts 13,680 Calls 7,191 Puts 6,489 *Underlying security price

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WORLD STOCK MARKETS

AUSTRIA

Mar. 3	Price Sch%	+ or —
Credit'nst'll pp *	2,290	+10
Goesser *	3,875	—15
Interunfall *	13,850	—00
Jungbunzlauer *	19,600	+600
Laenderbank *	2,100	—10
Perlmooser	700	+5
Steyr Daimler	165	—1
Veitscher Mag *	8,910	—30

BELGIUM/LUXEMBOURG

Mar. 3	Price Frs.	+ or —
B.B.L.	2,680	—20
Banq. Gen. Lux.	11,000	......
Banq. Int.A.Lux	11,000	+1000
Bekaert	9,810	+10
Ciment CBR	4,020	+20
Cockerill	170	+6
Delhaize	10,000	+160
EBES	4,740	+80
Electrobel	13,600	+75
Fabrique Nat.	9,020	—40
GB Inno BM	6,220	—80
GBL (Brux)	2,950	+55
Generale Bank	5,400	+10
Gevaert	8,350	+350
Hoboken	7,210	+10
Intercom	8,760	+10
Kredietbank	22,550	......
Pan Hldgs	10,450	+350
Petrofina	8,690	—60
Royale Belge	21,300	......
Soc. Gen. Belge	2,480	—30
Sofina	9,820	+90
Solvay	8,030	+210
Stanwick Intl	1,170	......
Tractionel	5,800	+140
UCB	6,720	+220
Wagons Lits	5,600	—130

DENMARK

Mar. 3	Price Knr %	+ or —
Andelsbanken	411	......
Baltica Skand	520	—10
Cop Handelsb'nk	514	......
D. Sukkerfab	405	—3
Danske Bank	379	+1
Da Danske Luft	1,480	......
East Asiatic	254	+1
Forenede Brygg.	970	......
Forenede Damp.	268	......
GNT Nld	645	......
I.S.S.B.	655	......
Jyske Bank	785	......
Novo Inds	1,270	+35
Privatbanken	297	......
Provinsbanken	459	......
Smidth (F.L.) B	316	—1
Sophus Berend	980	+3
Superfos	320	—3

FRANCE

Mar. 3	Price Frs.	+ or —
Emprunt 4½% 1975	1,668	+48
Emprunt 7% 1973	7,190	—60
Accor	570	—15
Air Liquide	611	—16
BIC	659	—2
Bongrain	1,600	—35
Bouygues	953	—7
BSN Gervais	3,160	—40
CIT Alcatel	1,510	—16
Carrefour	3,170	—51
Club Mediter'n	458	+26
Cie Bancaire	1,085	—75
Cofimeg	393	—10
Damart	1,790	—209
Darty	2,470	—80
Dumez S.A.	1,073	+35
Eaux (Cie Gen)	1,080	+25
Elf-Aquitane	215.1	—18.9
Essilor	2,120	—38
Gen.Occidentale	809	—12
Imetal	83	—4
Lafarge Coppee	990	—41
L'Oreal	2,850	—301
Legrand	2,798	—39
Maisons Phenix	189	—3
Matra S.A.	1,550	—100
Michelin B	2,050	—90
Midi (Cie)	4,930	—250
Moet-Hennessy	1,970	—115
Moulinex	65.7	+0.7
Nord Est.	181.1	—5.9
Pernod Ricard	888	—57
Perrier	316	—9
Petroles Fra.	312	—14
Peugeot S.A.	840	—60
Printemps (Au.)	506	+16
Radiotech	658	+3
Redoute	2,130	—140
Roussel-Uclaf	1,359	—56
Sefimeg	445	—25
Skis Rossignol	1,239	+20
Telemec Elect	2,810	—95
Thomson (CSF)	846	—54
Valeo	564	—18

GERMANY

Mar. 3	Price Dm.	+ or —
AEG	313.5	—1.8
Allianz Vers	2,150	—50
BASF	306	+4.4
Bayer	319	+6
Bayer.Hypo	543	+3
Bayer-Verein	504	+6
BHF-Bank	488	—2
BMW	497	—5
Brown Boveri	265	
Commerzbank	291.5	+3
Cont'l. Gummi	210	—
Daimler-Benz	1,195	+11
Degussa	444	—2
D'sche Babcock	200	—4
Deutsche Bank	748.5	+2
Dresdner Bank	375.5xr	+3.6
GHH	914	+1
Henkel	394	—0.5
Hochtief	768	—7
Hoechst	309.5	+3.2
Hoesch Werke	184	+1.2
Holzmann (P)	505	+5
Horten	940	—2
Hussel	505	+5
Karstadt	369	—1
Kaufhof	440	+1
KHD	291	—7
Kloeckner	101	+0.8
Linde	579	—9
Lufthansa	881	—11
MAN	183	—3
Mannesmann	259.5	—5
Mercedes Hld	1025	—6
Metallgesell	390	—3
Muench Rueck	3,390	+115
Nixdorf	563	......
Porsche	1,220	+3
Preussag	240	—8
Rhein West Elect	234.5	—0.5
Rosenthal	380	+3
Schering	523	+3
Siemens	706	—1
Thyssen	164.5	—0.9
Varta	298	+4
Veba	989.5	+0.5
V.E.W.	180	+9
Verein-West	440	+10
Volkswagen	518.5	+5

ITALY

Mar. 3	Price Lira	+ or —
Banco Com'le	23,560	—245
Bastogi-IRBS	560	—18
Centrale	4,339	—41
C.I.R.	9,290	+290
Credito Italiano	3,505	+15
Fiat	9,880	+520
Generali Assicur.	92,750	—740
Italcementi	56,410	+160
La Rinascente	1,200	......
Montedison	3,495	+97
Olivetti	11,650	+60
Pirelli Co	7,650	—290
Pirelli Spa	4,599	+4
Saipem	4,805	—13
Snia BPD	6,865	+105
Toro Assic	34,550	+855

NETHERLANDS

Mar. 3	Price Fls	+ or —
ACF Holding	985	—1
AEGON	99.9	+0.1
Ahold	71.6	......
AKZO	155.3	—2.0
ABN	649	—8
AMEV	75.2	—0.3
AMRO	97.6	—0.8
Bredero Cert.	193	—4
Bos Kalis Westm.	18.8	+0.4
Buehrmann-Tet.	131	—2.7
Calland Hlgs.	23.8	+1.8
Dordtsche Pet'm	159	—9
Elsevier-NDU	160	+1
Fokker	83.5	—0.5
Gist Brocades	251.5	—1.0
Heineken	211.7	—1.7
Hoogovens	82	—1
Hunter Doug N/V	63.7	—0.4
Int Mueller	66.5	—0.4
KLM	52	—9.3
KNP	118.7	—3.0
Naarden	51.5	—0.3
Nat Ned Cert.	71.3	—0.4
Ned Mid Bank	201	—1
Nedlloyd	174.3	—0.2
Oce Grinten	416	—2.3
Ommeren (Van)	31.8	—0.7
Pakhoed	66.2	+1.7
Philips	50.1	—1.1
Robeco	85.1	+0.1
Rodamco	236.5	—0.2
Rolinco	78.2	—0.2
Rorento	48.3	......
Royal Dutch	168.2	—1.8
Unilever	347.7	—3.3
VMF Stork	878	—5.6
VNU	878	—5.5
Wessanen	284	+3
West Utr Bank	47	+0.3

NORWAY

Mar. 3	Price Kroner	+ or —
Bergens Bank	166	—0.8
Borregaard	390	—9
Christiania Bank	156	—6.3
DenNorske Cred	163	—1.3
Elkem	103	+1
Kosmos	165	—5
Kvaerner	155	+1.3
Norcem	137	—3
Norsk Data	435	—2
Norsk Hydro	127	—4.5
Storebrand	258	......

SPAIN

Mar. 3	Price Pts %	+ or —
Bco Bilbao	590	......
Bco Central	320	+19
Bco Exterior	250	+5
Bco Hispano	256	+10
Bco Popular	750	+55
Bco Santander	565	+15
Bco Vizcaya	869	+40
Dragados	248	—34
Hidrola	108	+5.5
Iberduero	133.5	+6.5
Petroleos	338	+18
Telefonica	154	+7.8

SWEDEN

Mar. 3	Price Kronor	+ or —
AGA	178	......
Alfa-Laval B	260	+10
ASEA (Free)	360	+5
Astra (Free)	560	......
Atlas Copco	183	+1
Cardo (Free)	273	......
Cellulosa	185	+3
Electrolux B	347S	......
Ericsson B	250	—1
Esselte	490	+5
Mo och Domsjo	215	......
Pharmacia	207	+13
Saab Scania Free	570	......
Sandvik	833	......
Skandia	370	......
Skan Enskilda	90	......
SKF	285	+6
Sonnesson	160	......
Stora Kopparbrg.	210	......
Sven Handlesbn.	692	......
Swedish Match	250	......
Volvo B (Free)	307	+2

SWITZERLAND

Mar. 3	Price Frs.	+ or —
Adia Intl.	4,850	—60
Alusuisse	725	+5
Bank Leu	4,275	......
Brown Boveri	1,765	+15
Ciba Geigy	3,830	—90
do. (Part Certs)	2,775	......
Credit Suisse	3,610	+50
Elektrowatt	3,390	+80
Fischer (Geo.)	1,240	+30
Hoff-Roche PtCts	122,500	+125
Hoff-Roche 1/10	12,250	—68
Jacobs Suchard	7,200	+60
Jelmoli	3,525	—60
Landis & Gyr	2,050	+10
Nestle	8,400	+25
Oer-Buehrle	1,650	+40
Pirelli	418	+3
Sandoz (Br)	10,250	......
Sandoz (Pt Cts)	1,640	+10
Schindler (PtCts)	770	—20
Sika	1,600	+160
Surveillance A	5,900	—40
Swissair	1,950	+20
Swiss Bank	535	+1
Swiss Reinsce	14,300	......
Swiss Volksbk.	2,420	+10
Union Bank	4,710	+90
Winterthur	5,000	......
Zurich Ins.	6,025	+75

AUSTRALIA

Mar. 3	Price Aust $	+ or —
Adelaide Steams	18.6	+0.6
AHZ Group	5.34	+0.1
Ampol Pet.	2.55	—0.1
Ashton	1.32	+0.05
Aust. Cons. Inds.	3.37	+0.02
Aust. Guarantee.	2.52	+0.04
Aust. Nat. Inds.	3.25	+0.07
APM	3.48	+0.12
Bell Group	6.1	[illegible]
Bell Res	4.4	[illegible]
Bond Corp Hldgs	9.6	[illegible]
Boral	3.58	[illegible]
Bougainville	2.3	[illegible]
Brambles Inds	5.36	[illegible]
Bridge Oil	1.63	[illegible]
B. N. Prop.	6.6	[illegible]
Burns Philip	5.42	[illegible]
CRA	5.9	[illegible]
CSR	3.02	[illegible]
Chase Corp.	46	[illegible]
Claremont Pet	0.96	[illegible]
Coles (C.J.)	4.34	[illegible]
Comalco "A"	6.08	[illegible]
Consolidated Pet	0.18	[illegible]
Costain Aust	2.1	[illegible]
Elders IXL	3.34	[illegible]
Energ Res	1.62	[illegible]

AUSTRALIA (continued)

Mar. 3	Price Aust.$	+ or —
Gen. Prop. Trust	2.3	......
Hardie (James)	3.55	+0.01
Hartogen Energy	1.68	—0.02
Herald W'yTimes	6.5	......
ICI Aust	2.3	—0.05
Jimberlana F.P.	0.21	—0.01
Kia Ora Gold	0.17	—0.01
Kidston Gold	5.8	—0.1
Lend Lease	7.25	—0.01
MIM	2.58	......
Mayne Nickless	3.8	+0.05
Nat. Aust. Bank	5.3	+0.04
News	12.88	—0.05
Nicholas Kiwi	3.85	......
Herandal P'c P/pd	0.90	+0.05
North Bkn Hill	2.3	—0.04
Oakbridge	1.03	......
Pacific Dunlop	5.02	+0.04
Pancontinental	1.98	+0.05
Pioneer Conc	2.48	......
Poseidon	2.55	+0.05
Queensland Coal	1.35	......
Reckitt & Colman	4.2	......
Repco	1.5	......
Santos	4	—0.05
Smith (Howard)	4.8	......
Thos. Nationwide	3.22	+0.80
Tooth	6.64	+6.14
Vamgas	2.0	......
Western Mining	3.5	+0.08
Westpac Bank	5.24	+0.12
Woodside Petrol	1.08	—0.02
Woolworths	3.85	......
Wormald Intl.	3.48	+0.05

HONG KONG

Mar. 3	Price H.K.$	+ or —
Bank East Asia	20	—0.4
Cheung Kong	16.8	—0.1
China Light	15.7	—0.1
Evergo	6.76	—0.01
Hang Seng Bank	43.65	—0.5
Henderson Land	1.67	......
HK China Gas	13.01	—0.1
HK Electric	6.65	—0.1
HK Kowloon Wh.	6.7	—0.1
[illegible]	[illegible]	[illegible]

JAPAN

Mar. 3	Price Yen	+ or —
[illegible]	[illegible]	[illegible]

JAPAN (continued)

Mar. 3	Price Yen	+ or —
MHI	391	—0
Mitsui Bank	1,000	——
Mitsui	437	—8
Mitsui Estate	1,120	—20
Mitsui Toatsu	232	+9
Mitsukoshi	680	+10
NGK Insulators	880	......
Nikko Sec	751	—14
Nippon Denso	1,200	......
Nippon Elect	1,180	......
Nippon Express	696	+2
Nippon Gakki	1,410	+30
Nippon Kogaku	1,030	—10
Nippon Kokan	135	—2
Nippon Oil	868	—20
Nippon Seiko	470	—5
Nippon Shimpan	1,030	+30
Nippon Steel	157	—2
Nippon Suisan	363	—1
Nippon Yusen	313	—8
Nissan Motor	554	+8
Nisshin Flour	396	+1
Nomura	1,880	—28
Olympus	995	......
Onoda Cement	348	+23
Orient Finance	1,160	—10
Orient Leasing	3,500	—70
Pioneer	1,750	......
Ricoh	881	—7
Sankyo	1,230	+30
Sanwa Bank	1,320	......
Sanyo Elect	391	—3
Sapporo	759	—1
Sekisui Prefab	902	—11
Seven-Eleven	6,050	......
Sharp	870	......
Shimizu Constn	418	—8
Shionogi	886	—18
Shiseido	1,580	+80
Showa Denko	255	—4
Sony	3,480	......
S'tomo Bank	1,738	+10
S'tomo Chem.	681	+4
S'tomo Corp.	814	—10
S'tomo Elect	855	+18
S'tomo Metal	143	......
Taisei Corp.	367	—5
Taisho Marine	615	—6
Taiyo Kobe Bank	700	+7
Takeda	1,150	+10
TDK	3,760	+20
[illegible]	[illegible]	[illegible]

SINGAPORE

Mar. 3	Price	+ or —
[illegible]	[illegible]	[illegible]

SOUTH AFRICA

Mar. 3	Price Rand	+ or —
[illegible]	[illegible]	[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. $ Dealings suspended. xd Ex dividend xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO

Prices at 2.30pm March 3

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

F—No voting rights or restricted voting rights.

Indices

NEW YORK—DOW JONES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STANDARD AND POORS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

N.Y.S.E. ALL COMMON

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NYSE-Consolidated 1500 Actives

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TORONTO

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Mar. 5	Feb. 28	Feb. 27	Feb. 26	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

** Saturday March 1: Japan Nikkei 13,727.06 TSE 1,095.45

[illegible]

NYSE COMPOSITE PRICES

Continued from Page 45

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 45

Stock	Sales (Hnds)	High	Low	Last	Chng
OneBco .60	136	[illegible]	[illegible]	[illegible]	[illegible]
Rival .60	18	16⅞	16⅞	16⅞	
RoadSv 1.10	2405	44¾	41¾	44	+2¼
RobNug .06	416	12⅞	12	12¼	+¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UFnGrp	146	5½	5¼	5⅜	—¼
UFstFd .10e	271	24	23¾	23¾	
UGrdn 1.64t	7	11¼	10⅞	10⅞	—⅜
UPresd	87	14½	14¼	14¼	
US Ant	23	3¼	3⅛	3⅛	
US Bcp	1427	36⅝	35⅝	36⅝	+1
US Cap	12	3¾	3½	3¾	
USDsgn	714	3⅝	3¼	3⅝	+⅛
US HltC .05	2330	17¼	16⅞	16⅞	—⅛
USShelt .12	72	4½	4¼	4¼	—⅛
Xebec	271	2 1-16	2	2	
Xicor	464	9⅞	9⅝	9¾	
Xidex	2328	14⅞	14½	14⅝	—⅛
YlowFs .54	716	34¾	34⅜	34½	—¼
Ziegler .48a	34	17¼	17	17¼	+½
ZionUt 1.36	373	52¼	51¾	51¾	—¼
Zitel	5	3¾	3¾	3¾	
Zlyad	140	6⅝	6¼	6¼	—⅛
Zondvn	236	17¾	17⅜	17⅜	—⅛
Zymos	84	2 7-16	2⅜	2⅜	

LONDON Chief price changes (in pence unless otherwise indicated)

RISES		
Amari	148	+8
Aurora	52	+5½
Barclays	482	+10
Berisf (S.&W.)	207	+5
Berkeley Gr	368	+18
Biddle Hldgs.	198	+13
Bridon	132	+8
British Vita	242	+13
Delya Packag	100	+10
Fisons	520	+13
Helical Bar	102	+12
Hepworth Ger	167	+9
Hillsdown	220	+12
Lec Refrig	280	+25
MEPC	365	+8
Midland B	478	+8
Minty	340	+40
Schroders	£12⅝	+⅝
Strong & Fish	138	+8
Suter	240	+13

FALLS		
AMS Inds.	104	—19
BP	520	—10
Fitch Lovell	302	—14
Home Charm	318	—72
Peters (M.)	173	—19
Powerline Intl.	131	—22
STC	118	—8
Stanley	76	—5
Storehouse	300	—13

Prices at 3pm, March 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
20 5/8	10 5/8	AAR s			19	961	u21	19 3/4	20 7/8	+ 1/2
25 3/8	10 1/4	AGS			17	596	24 1/4	23 7/8	23 7/8	− 3/8
53 1/2	37 1/2	AMR			9	3644	53	51 7/8	52 1/8	− 7/8
25 3/8	16 5/8	AMR pf2.18		8.5		22	25 1/2	25 1/2	25 1/2	
12 1/2	7 5/8	APL			7	5	11 3/4	11 5/8	11 5/8	
16 3/4	10 3/8	ARX			13	158	14 7/8	14 5/8	14 5/8	− 1/8
55 3/8	32 3/4	ASA	2a	5.4		498	37 1/4	36 7/8	37 1/8	+ 1 1/8
25	10 1/2	AVX		L6		145	17 5/8	17 1/2	17 1/2	+ 1/4
29 1/4	20 5/8	AZP	2.72	9.4	7	1102	29 1/8	28 5/8	28 7/8	+ 1/8
72	45 5/8	AbtLab	1.40	2.6	16	1061	70 7/8	70 3/8	70 1/2	− 1/8
30 1/4	19 5/8	AccoWd	.50	1.7	21	140	30 1/4	30	30	− 1/4
24 3/4	10	AcmeC	.40	3.3	17	175	12 1/4	12	12 1/8	− 1/8
16	7	AcmeE	.32b	3.6	17	56	9 1/8	9	9	
19 3/4	16 1/8	AdaEx	1.90e	10.		00	19 3/4	19 1/2	19 1/2	
26	14	AdmMl	.40	1.6	11	13	25 3/4	25 5/8	25 3/4	− 1/8
20 5/8	6 3/4	AdvSys	1.36t	6.6	16	352	20 3/8	18 1/4	19 3/4	
34	22 1/8	AMD				1953	31 1/8	30 1/8	30 3/8	− 3/4
12 3/8	10	Adobe n			116	10 1/8	d	9 5/8	9 5/8	− 1/2
16 3/8	14 5/8	Adob pf	1.84	11.		12	16 3/8	16 1/4	16 3/8	
18 1/2	15 1/4	Adob pf	2.40	13.		24	18 1/2	16 3/8	16 3/8	+ 1/4
17	8 1/8	Advest	.12a	.7	15	501	16 5/8	15 7/8	16 1/2	+ 3/8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from Page 44

[illegible]

Continued on Page 43

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, March 3

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 43

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Steady fall diluted by features

US FEDERAL bonds continued their surge to yet higher levels yesterday, bringing into focus the prospect of 6 per cent yields on long-dated issues, *writes Terry Byland in New York.*

The stock market showed signs of being overbought and twice plunged below the Dow 1,700 level in heavy trading.

By 3pm the Dow Jones industrial average was 11.01 down at 1,696.05.

Takeover situations provided many features.

Speculation over impending cuts in discount rates in Japan and West Germany continued, and a further $1.5bn in customer repurchase arrangements by the Federal Reserve fuelled hopes for a similar trend in the US.

Longer-term optimism for low US inflation rates was encouraged by cuts in crude oil prices by US companies to less than $13 a barrel and by forecasts of a $10 a barrel oil price by Sheik Yamani, the Saudi oil minister.

Yields on long-dated bonds slipped to 8.13 per cent at mid-session, reflecting gains of more than 1½ points in bond prices. Treasury bill yields turned easier after the Fed's intervention and this also spurred prices for mid-term T-bills.

Turnover in stocks remained heavy. Prices fell sharply at first with most analysts agreeing that the market is overbought. But losses were cut as bonds soared, and a rash of speculative situations kept the market on the boil.

The rally in the stock market was led by IBM, $1¼ up at $152¼ in heavy trade as investors brushed off last week's downgrading of the stock by several brokerage houses.

Motor stocks also steadied, General Motors adding $⅝ to $78⅝ as rumours that the car group might bid for American Express were firmly denied. At $67⅞, American Express jumped $1⅝. Chrysler shed $¾ to $56 after First Boston turned bearish on the stock, in marked contrast to recent investment comment.

The unexpected $45-a-share bid from Electrolux of Sweden sent White Consolidated Industries to $49, a gain of $10½ in heavy turnover as the arbitrageurs built up stakes and looked for a counter bidder.

There was a renewed spate of takeover speculation in CBS which bounded $4 to $142½. In airlines, still buzzing with bid speculation, Western Air rose $⅞ to $10⅞, with turnover in the stock leading the NYSE active list.

Also responding to huge turnover, Eastern gained $⅜ to $9⅛, while Texas Air, the bidder, fell $1⅜ to $26⅞. Ozark Holdings, facing a $250m offer from TWA, eased $¾ to $17¼, while TWA at $16⅛ shed $½.

Speculation surrounded BankAmerica as Wall Street awaited the outcome of the board meeting expected to discuss moves to unseat Mr Sam Armacost, the chief executive. At $16½, stock in the Californian bank fell $1⅛ in busy trading.

A weaker dollar brought falls in chemicals. The firm exception was Union Carbide, up $1⅝ at $97⅞, with the when-issued stock heavily traded but unchanged at $19⅛. Drug stocks, also currency-influenced, moved lower. Key Pharmaceuticals, the asthma treatment group, eased $⅝ to $14⅝ on bid talks with Schering-Plough.

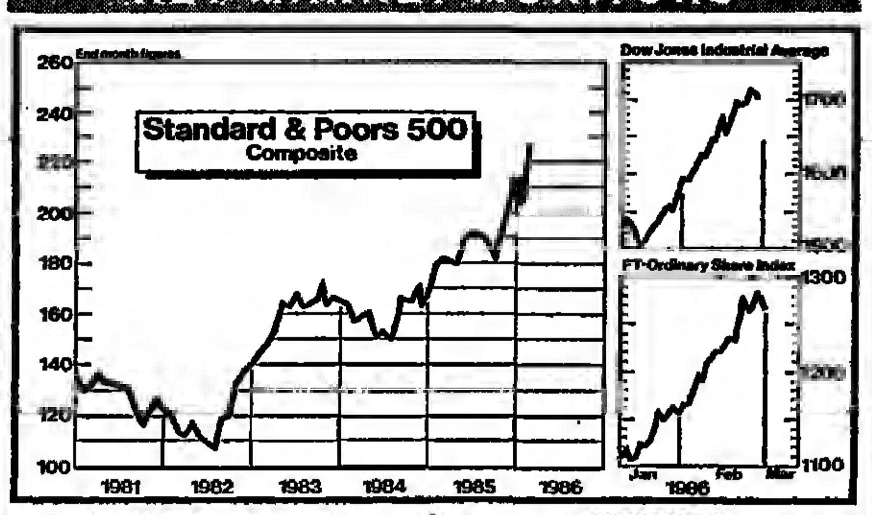
Oils showed only small, irregular changes, despite the slide in posted prices for US crude. Standard Oil, formerly Standard Ohio, fell $1⅞ to $47⅛ as Wall Street assessed the implications of British Petroleum's restructuring of the management of Standard.

At $41⅞ Merrill Lynch added $1 as it awaited today's decision on its application to become a member firm of the London Stock Exchange.

In the credit markets, federal funds traded at 7⅛ per cent. Traders believed that the Fed, while not making any great shift in policy, appears to be leaning towards accommodation in the markets pending further evidence on the pace of the US economy. Today brings the latest federal statistics on economic indicators

Money market rates eased in line with Treasury bills which fell 5 basis points or so. Bonds remained close to the day's peak levels in busy trading.

KEY MARKET MONITORS



STOCK MARKET INDICES

	March 3	Previous	Year ago
NEW YORK			
DJ Industrials	1,696.05*	1,709.06	1,299.36
DJ Transport	790.24*	792.26	635.30
DJ Utilities	184.14*	185.83	148.80
S&P Composite	225.19*	226.92	183.23
LONDON			
FT Ord	1,266.5	1,277.4	979.9
FT-SE 100	1,545.2	1,543.9	1,250.8
FT-A All-share	747.39	750.83	610.53
FT-A 500	822.51	827.94	667.02
FT Gold mines	342.7	336.2	477.8
FT-A Long gilt	9.98	9.94	10.86
TOKYO			
Nikkei	13,757.63	13,640.83	12,412.10
Tokyo SE	1,099.6	1,090.7	981.9
AUSTRALIA			
All Ord.	1,053.3	1,050.1	790.3
Metals & Mins.	513.0	512.7	475.0
AUSTRIA			
Credit Aktien	111.39	112.29	74.59
BELGIUM			
Belgian SE	3,289.32	3,257.19	2,252.79
CANADA			
Toronto			
Metals & Minls	2,247.9*	2,227.3	2,109.0
Composite	2,865.0*	2,855.8	2,625.2
Montreal			
Portfolio	1,456.57*	137.92	131.50
DENMARK			
SE	234.31	232.06	176.97
FRANCE			
CAC Gen	303.0	312.9	203.0
Ind. Tendance	113.3	116.5	109.6
WEST GERMANY			
FAZ-Aktien	636.55	636.86	411.42
Commerzbank	1,921.4	1,913.7	1,196.4
HONG KONG			
Hang Seng	1,685.06	1,685.3	1,401.15
ITALY			
Banca Comm.	571.11	567.35	276.85
NETHERLANDS			
ANP-CBS Gen	240.4	242.1	200.8
ANP-CBS Ind	234.0	235.1	159.2
NORWAY			
Oslo SE	357.76	362.05	319.18
SINGAPORE			
Straits Times	624.57	623.27	841.20
SOUTH AFRICA			
JSE Golds	–	1,197.0	903.0
JSE Industrials	–	1,156.6	851.5
SPAIN			
Madrid SE	135.04	129.52	112.70
SWEDEN			
J & P	1,851.68	1,838.63	1,434.14
SWITZERLAND			
Swiss Bank Ind	557.8	554.7	417.7
WORLD	Feb 28	Prev	Year ago
MS Capital Int'l	282.6	283.3	197.0

COMMODITIES

(London)	March 3	Prev
Silver (spot fixing)	393.20p	386.15p
Copper (cash)	£982.50	£991.00
Coffee (Mar)	£2,450.00	£2,568.75
Oil (spot Arabian Light)	n/a	n/a

GOLD (per ounce)

	March 3	Prev
London	$336.00	$337.00
Zürich	$336.50	$338.25
Paris (fixing)	$342.17	$340.63
Luxembourg	$340.00	$338.00
New York (April)	$338.70*	$341.00

CURRENCIES

	US DOLLAR		STERLING	
(London)	March 3	Previous	March 3	Previous
$	–	–	1.442	1.447
DM	2.2195	2.2305	3.2	3.2275
Yen	179.55	180.45	259.0	261.0
FFr	6.8325	6.8625	9.8525	9.93
SFr	1.8775	1.8875	2.7075	2.7325
Guilder	2.509	2.516	3.6175	3.64
Lira	1,510.0	1,515.5	2,177.5	2,193.0
BFr	45.5	45.7	65.6	66.15
C$	1.424	1.424	2.052	2.056

INTEREST RATES

	March 3	Prev
Euro-currencies (3-month offered rate)		
£	12 9/16	12 7/16
SFr	3⅞	3⅞
DM	4½	4 9/16
FFr	14½	14½
FT London Interbank fixing (offered rate)		
3-month US$	7⅞	7⅞
6-month US$	7⅞	7⅞
US Fed Funds	7⅛*	7¾
US3-month CDs	7.45*	7.6
US3-month T-bills	8.955*	7.24

US BONDS

Treasury

		March 3* Price	Yield	Prev Price	Yield
8	1988	100 27/32	7.534	100 19/32	7.67
8¾	1993	104 13/32	7.903	103 24/32	8.027
8⅞	1996	106 5/32	7.96	104 31/32	8.137
9¼	2018	112 7/32	8.163	110 5/32	8.318

Treasury Index

Maturity (years)	Return index	March 3 Day's change	Yield	Day's change
1–30	145.56	+0.52	8.03	–0.06
1–10	139.18	+0.40	7.89	–0.06
1– 3	131.74	+0.27	7.71	–0.06
3– 5	141.12	+0.43	7.97	–0.08
15–30	168.36	+0.97	8.50	–0.05

Source: Merrill Lynch

Corporate	March 3* Price	Yield	Prev Price	Yield
AT & T				
10⅜ June 1990	101⅜	10.00	101⅜	10.00
3⅞ July 1990	88	7.25	88	7.25
8¾ May 2000	96⅛	9.24	96⅛	9.24
Xerox				
10⅞ Mar 1993	106	8.80	106	8.80
Diamond Shamrock				
10⅜ May 1993	104⅛	9.80	104⅛	9.80
Federated Dept Stores				
10⅜ May 2013	108⅜	9.70	108⅜	9.70
Abbot Lab				
11.80 Feb 2013	112½	10.40	112½	10.40
Alcoa				
12¼ Dec 2012	114	10.65	114	10.65

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Mar	95-29	96-07	94-12	94-26
US Treasury Bills (IMM) $1m points of 100%				
Mar	93.13	93.14	93.08	93.10
Certificates of Deposit (IMM) $1m points of 100%				
Mar	92.62	92.62	92.62	92.55
LONDON				
Three-month Eurodollar $1m points of 100%				
Mar	92.27	92.27	92.23	92.25
20-year Notional Gilt £50,000 32nds of 100%				
Mar	114-27	114-14	113-28	114-28

* Latest available figures

LONDON

Sterling and oil prices overshadow

A WEAKER pound and lower crude oil prices overshadowed London yesterday. Institutional investors went to ground leaving both share and bond markets at the mercy of profit-taking. The FT Ordinary index, after a small opening gain, closed 10.9 lower to 1,266.5 while the broader-based FT-SE 100 index dipped 9.0 to 1,534.9.

Optimism about lower bank base rates failed to support sentiment while the drop in North Sea oil prices to $12.50 a barrel exerted further pressure.

Interest in takeover situations, real or imagined, also subsided. Home Charm, which soared 100p on Friday after a bid approach, reacted just as dramatically on news that the talks had been terminated with a 72p plunge to 316p.

Gilts were volatile with longs down a full point or more before recovering strongly with sterling. Most of the rally occurred in after-hours trade to leave selected longs only ¼ easier on the day. Shorts and mediums followed suit.

Chief price changes, Page 43; Details, Page 42; Share information service, Pages 40–41

HONG KONG

A ROUND of bargain-hunting in Hong Kong helped to erase some large early losses, but the Hang Seng index still closed 10.24 lower at 1,658.06.

Some of the bargains were provided by European fund managers unsettled by possible foreign exchange losses although domestic institutions were not heavy sellers.

Properties led the decline, with Cheung Kong and Hongkong Wharf 10 cents cheaper each at HK$19.60 and HK$7.75, respectively. Utilities were also lower, with China Light and Hongkong Electric down 10 cents apiece at HK$15.70 and HK$8.65, respectively.

Among banks Hang Seng retreated 50 cents to HK$45.25, and Hongkong Bank dipped 10 cents to HK$11.20.

AUSTRALIA

HOPES for lower domestic interest rates buoyed sentiment in Sydney, and the All-Ordinaries index perked up 3.2 to 1,053.3. Gains among leading banks and market leader BHP also added to sentiment. Mines firmed although gold and oil and gas stocks dipped.

BHP hit an early high of A$6.58 on news that it had made a significant oil strike in the Timor Sea and on uncertainty that Mr Robert Holmes à Court's partial takeover of BHP would proceed smoothly. BHP finished the session 6 cents higher at A$6.50 while Bell Resources, the Holmes à Court takeover vehicle, fell 5 cents to A$4.40 and its parent Bell Group gained 10 cents to A$6.10.

SOUTH AFRICA

MODEST demand for gold shares aided Johannesburg as the bullion price held steady.

Vaal Reefs was buoyed R4 higher to R229 while at the cheaper end of the market Durban Deep rose 50 cents to R25.75.

Leading diamond and platinum shares eased, however, with De Beers giving up 40 cents to R19.60 and Impala 25 cents at R27.50.

A narrowly mixed industrial sector took Barlow Rand 10 cents lower to R15.50.

CANADA

AN ACTIVE Toronto left most sectors slightly mixed with investors focusing on corporate news where possible.

Massey Ferguson firmed 10 cents to C$2.95 ahead of further details of its restructuring programme. BP Canada added C$¼ to C$26 amid plans to cut its half-yearly dividend.

Among softer mines Noranda slipped C$⅛ to C$16⅝ in reaction to Friday's poor results.

Montreal was slightly lower although industrials resisted the trend.

EUROPE

Rate hopes spur banks and utilities

RENEWED HOPES of a cut in the discount rate spurred banks and interest-rate sensitive utility stocks in Frankfurt yesterday as a luke warm rally pushed prices slightly higher.

Chemicals were also stronger, as indeed they were across Europe, benefiting from the lower oil prices.

The Commerzbank index put on 7.7 to 1,921.4 after producing a spectacular gain of 50.1 points on Friday.

Speculation that credit may soon be cheaper continued to push banks higher, with Deutsche Bank DM 2 up at DM 748.50 – it scored a substantial DM 22.80 rise on Friday – Commerzbank DM 3 stronger at DM 291.50 and Dresdner DM 3.50 to DM 375.50 after a one-for-14 rights issue.

Despite a slight easing late last week, chemicals regained their strength, and Hoechst led the sector with a DM 5.20 rise to DM 309.50. Bayer followed suit, adding DM 5 to DM 319, while BASF was up DM 4.40 at DM 306 and Schering was DM 2 higher at DM 523.

Siemens shed DM 1 to DM 706 on reports that China has withdrawn from negotiations with subsidiary KWU on the sale of two nuclear reactors.

Daimler-Benz recorded the highest gain of the day, rising DM 11 to DM 1,195, and elsewhere in the motor sector, Porsche and VW gained DM 5 each to DM 1,220 and DM 519.30, respectively.

Profit-taking erupted in stores, which had performed well on Friday. Horten gave up DM 2 of its DM 6 gain in the previous session to end at DM 240 while Karstadt slid DM 1 to DM 369. Kaufhof, however, put on DM 1 to DM 440.

Utility Veba added 50 pfg to DM 282.50.

Bourse statistics show a doubling in turnover for February compared with year-ago figures. Despite falling to DM 27.3bn from January's record DM 36.3bn, February's share and bond turnover was substantially higher than the DM 12.7bn recorded for the same month in 1985.

President of the stock exchange, Mr Michael Hauck, announced yesterday that Frankfurt would install a fully automated securities quotation system by September which will be compatible with both London and New York.

In the bond market, prices ended as much as 20 basis points easier after dull trading, with heavy losses occurring among the longer-dated securities.

The Bundesbank bought DM 27.1m worth of domestic paper

Chemicals boosted Brussels to a new peak. The Belgian Stock Exchange index rose 32 points to 3,289.32.

Gevaert soared BFr 350 to BFr 6,350 – a rise of around 3 per cent – while UCB added BFr 220 to BFr 6,720 and Solvay, which recently announced a large US chemical acquisition, put on BFr 210 to BFr 6,030.

Holding companies and utilities were again stronger, with GBL up BFr 55 at BFr 2,950 and Ebes BFr 30 higher at BFr 4,740.

Losses occurred among oil stocks. Petrofina dropped BFr 60 to BFr 6,590 and Cometra was off BFr 15 at BFr 2,835.

Stockholm halted trading for a minute's silence in memory of Prime Minister Olof Palme, who was assassinated on Friday night.

Turnover was low as most investors turned cautious. The value of shares traded fell from SKr 254m on Friday to SKr 197m.

Electrolux was suspended at SKr 247 after making an offer for White Consolidated, the US household appliance group. Trading in Fermenta remained halted.

Asea, which has won a power transmission equipment order from India, put on SKr 10 to SKr 360.

Expectations of higher results from some Swiss banks kept Zurich buoyant.

Union Bank, which came under selling pressure last week after announcing a smaller-than-expected dividend, recovered partly with a gain of SFr 90 to SFr 4,710. Crédit Suisse was up SFr 30 at SFr 3,610 and Swiss Bank Corporation gained SFr 1 to SFr 535.

Electrical engineering group Brown Boveri rose SFr 15 to SFr 1,765. The company said it would pay no dividend to its shareholders for the first time in 47 years and also appointed Dr Fritz Leutwiler as chief executive.

A sharp downturn at mid-session left Amsterdam easier, and several bourse indices closed at their lows for the year.

Paris continued lower – the consolidation phase is now in its fifth consecutive session – while demand for Fiat pushed Milan higher. Fiat's common stock ended at a high of L9,680, up L820, while its preferred shares rallied to L8,585.

LAST WEEK'S surge in Spanish share prices continued yesterday as the Madrid stock exchange index shot up by 5.52 points to 135.04, breaking the record it set on Friday for the biggest rise in a single day's trading, *writes David White in Madrid.*

In a generally more optimistic climate for economic growth after the collapse in oil prices, demand has been spurred by the promise of government measures to stimulate investment and by the setting of higher electricity prices to assist utility companies in their financial restructuring.

Utility shares rose on average by over 6 points in yesterday's session.

The bourse index has climbed 35.04 per cent since the beginning of the year, almost equalling the 35.31 per cent increase for the whole of 1985. The rise so far this year has been led by banks, with an increase of 45.6 per cent, following strong profit figures.

Spain's three other exchanges registered even bigger increases yesterday, with the Barcelona and Bilbao indices more than 6 points up and Valencia showing a gain of 7.18 points.

Among Madrid banks, Banco Popular set the pace with a 65 percentage point gain to 750 per cent of nominal value while Banco Vizcaya added 40 points to 869 per cent.

Particularly active utilities took Iberduero 6.5 points higher to 133.50 per cent while the communications sector was led again by Telefonica with a 7.8 point advance to 154 per cent.

One of the few to move against the trend was construction group Dragados with a 34-point fall to 248 per cent.

TOKYO

Late caution develops at new peaks

STRONG buying sent the Nikkei stock average scaling a new peak in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

Electric power, biotechnology-related and speculative issues firmed. However, precariously high prices generated a cautious mood among investors in late trading.

The Nikkei average closed at 13,757.63, up 29.77, after surging 75.46 at one stage in the morning. Volume weakened from last Friday's 658m to 547m shares. Advances led declines by 482 to 352, with 136 issues unchanged.

Securities companies and individual investors sought issues considered to have growth potential.

Electric power and gas utilities attracted interest in a carry-over from last week. Tokyo Gas remained the most active stock with 22.70m shares traded, but its price shed Y3 to Y354. Tokyo Electric Power hit an all-time high of Y3,200 but slackened on profit-taking to end at Y3,140, up Y20.

Kansai Electric Power jumped Y100 to Y2,310, Chuba Electric Power Y110 to Y2,120 and Osaka Gas Y2 to Y287.

Biotechnology-related stocks strengthened thanks to development of new drugs and prospects for strong business results. Kyowa Hakko gained Y60 to Y1,110 in heavy trading. Takeda Chemical added Y10 to Y1,150 and Mitsubishi Chemical Industries Y16 to Y571.

Small-capital, no-dividend issues were also sought amid rumours of purchases by speculators. Nichiro Gyogyo put on Y27 to Y232 and scored the second largest volume of 21.66m shares. Nikkatsu, a film company, rose Y6 to Y175, with the fifth biggest volume of 14.93m shares.

Conversely, blue-chip stocks, which depend heavily on exports, remained out of favour, reflecting the higher yen. Matsushita eased Y20 to Y1,190 and Nippon Kogaku Y10 to Y1,030 on small-lot sales.

Large capital stocks lost ground almost across the board under profit-taking pressure. Mitsubishi Heavy Industries dropped Y3 to Y391 and Nippon Steel Y2 to Y167.

Investors retreated to the sidelines in the bond market amid mounting anxiety over the upsurge last week. However, institutional investors and dealers remained optimistic against the background of sinking interest rates worldwide.

The yield on 6.8 per cent government bond due in December 1994 fell to 5.285 per cent at one stage in the morning from last Saturday's 5.305 per cent, but edged up to 5.295 per cent.

SINGAPORE

LATE short-covering and a dose of bargain-hunting injected a firmer note to Singapore trading as the Straits Times industrial index added 1.30 to 624.57.

United Overseas Land was the most active with 7.2m shares traded from a total volume of 12.9m. UOL slipped 2 cents to 88 cents. Singapore Airlines, also active with 577,000 shares traded, firmed 5 cents to S$6.75.